

*United States Court of Appeals
for the Second Circuit*



APPENDIX

75-7256

United States Court of Appeals
FOR THE SECOND CIRCUIT

S. WILLIAM GREEN, EVELYN GREEN and CYNTHIA COLIN, as Executors of the Estate of LOUIS A. GREEN, deceased, and EVELYN GREEN, individually, and as stockholders of KIRBY LUMBER CORPORATION, suing on behalf of themselves and for the benefit of said corporation and for the class of all other stockholders of said corporation similarly situated,

Plaintiffs-Appellants,
against

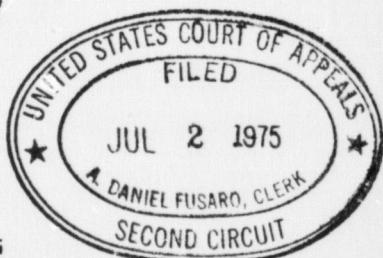
SANTA FE INDUSTRIES, INC., SANTA FE NATURAL RESOURCES, INC., KIRBY LUMBER CORPORATION, and MORGAN STANLEY & Co.,

Defendants-Appellees.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

APPENDIX

LEVENTRITT LEWITTES & BENDER
Attorneys for Plaintiffs-Appellants
405 Lexington Avenue
New York, N.Y. 10017
Tel. 986-4080



PAGINATION AS IN ORIGINAL COPY

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RELEVANT DOCKET ENTRIES

<u>Date</u>	<u>Filings - Proceedings</u>
Sept. 10, 1974	Filed complaint and issued summons
Nov. 6, 1974	Filed Defendant's affidavit and notice of motion to dismiss
Nov. 22, 1974	Filed amended complaint
Mar. 27, 1975	Filed Memorandum and Order ... This complaint has been amended once. Plaintiffs on the oral argument of this motion show no facts or contentions which they could assert if given further leave to serve a second amended complaint. In the absence of any such showing, this motion is granted, and the amended complaint is dismissed....So Ordered....Brieant, J. mn
Apr. 23, 1975	Filed Judgment and Order that defendant's said motion is granted, that the amended complaint is dismissed and that plaintiff recover nothing. BRIEANT, J. Judgment Entered
Apr. 24, 1975	Filed Plaintiffs' Notice of Appeal to USCA from final judgment entered ... on 4-23-75... Notices mailed on 4-29-75 to: Rogers & Wells, Esqs. and Davis, Polk & Wardwell, Esqs.
Apr. 24, 1975	Filed Plaintiffs' Undertaking for costs on appeal in the amount of \$250...

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----x

S. WILLIAM GREEN, EVELYN GREEN and :
CYNTHIA COLIN, as Executors of the :
Estate of LOUIS A. GREEN, deceased, :
and EVELYN GREEN, individually, and :
as stockholders of KIRBY LUMBER :
CORPORATION, suing on behalf of :
themselves and for the benefit of :
said corporation and for the class :
of all other stockholders of said :
corporation similarly situated, :
: 74 Civil Action
: No. 3915

Plaintiffs, :
: -against- :
:
SANTA FE INDUSTRIES, INC., SANTA :
FE NATURAL RESOURCES, INC., KIRBY :
LUMBER CORPORATION, and MORGAN, :
STANLEY & CO., :
: Defendants. :
-----x

COMPLAINT

For Equitable Relief, Damages,
and Other Relief under Federal
and State Law.

1. This is a civil action - derivative, class,
and individual - for equitable and other relief. This Court
has federal question jurisdiction under the Securities Exchange
Act of 1934 and pendent jurisdiction over the State claim for
breach of fiduciary obligation.

2. Plaintiffs were shareholders of Kirby Lumber
Corporation, a Delaware corporation ("Kirby") at the time of
the transaction herein complained of and have continuously
been and are now stockholders thereof; this action is not a
collusive one to confer jurisdiction on a court of the United
States which it would not otherwise have and plaintiffs fairly

and adequately represent the interests of the shareholders similarly situated in enforcing the rights of Kirby.

3. The class of stockholders of Kirby is so numerous that joinder of all is impracticable; the action presents questions of law and fact common to the class; the claims of plaintiffs herein are typical of the claims of the class; plaintiffs will fairly and adequately protect the interests of the class. This action falls within the Federal Rules of Civil Procedure, Rule 23(b)(1)(A) and (B) and (2) and (3).

4. Santa Fe Industries, Inc. ("Santa Fe") owns all the capital stock of Santa Fe Natural Resources, Inc. ("Resources") which owns approximately 95% of the capital stock of Kirby.

5. On July 31, 1974, Forest Products, Inc. ("FPI") was merged into Kirby with Kirby surviving the merger. The purpose of the merger was to cause Kirby to become a wholly owned subsidiary of Resources. In order to utilize the provisions of Section 253 of the General Corporation Law of the State of Delaware ("Delaware Corporation Law"), as described below, Resources caused FPI to be incorporated in Delaware on July 11, 1974. On July 29, 1974, FPI became the parent corporation of Kirby owning approximately 95% of the issued and outstanding Capital Stock of Kirby. On that date, FPI issued to Resources 1,000 shares of FPI Capital Stock in exchange for (i) 474,675 1/2 shares of Kirby Capital Stock, and (ii) cash in the amount of \$3,798,675 and (iii) the assumption of any other expenditures of FPI or Kirby arising out of or resulting from the merger of FPI into Kirby. On July 30, 1974, the board of directors of FPI (which consisted of the same persons who are members of the board of directors of Resources) adopted a

resolution of merger pursuant to Section 253 of the Delaware Corporation Law, providing that FPI would be merged into Kirby with Kirby surviving and that each share of Kirby stock not owned by FPI would represent only (i) a right to receive the amount of \$150 per share in cash in exchange therefor, or (ii) a right to seek such appraisal for such stock as is available under Delaware law. Holders of shares of Kirby stock other than FPI, to wit, holders of 25,324 1/2 shares, are entitled thereunder to receive the \$150 per share payment in cash upon surrender of their certificates for such shares to the Kirby Paying Agent. Resources as sole stockholder of FPI approved the merger on July 30, 1974; no meeting of Kirby stockholders was required in connection with the FPI-Kirby merger. The merger became effective on July 31, 1974 when the Certificate of Ownership and Merger was filed with the Secretary of State of the State of Delaware.

6. Section 253 of the Delaware Corporation Law permits a parent corporation owning at least 90% of the capital stock of a subsidiary to cause a merger of the parent corporation into the subsidiary by the adoption of a resolution of merger by the parent's board of directors. Approval by the stockholders or the board of the subsidiary corporation is not required. However, approval by the stockholder of the parent corporation is necessary. Section 253 permits, in a merger pursuant to its provisions, the outstanding stock of the subsidiary other than the stock held by the parent to be exchanged for securities, cash, property or rights, other than stock in the surviving corporation. Thus, under a merger pursuant to Section 253, a parent corporation (FPI) owning at least 90% of the stock of a subsidiary (Kirby) may cause the subsidiary (Kirby) to become

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a wholly owned subsidiary of the stockholder (Resources) of the parent (FPI) by providing in the resolution of merger that stockholders other than the parent shall receive cash in exchange for their shares.

7. The said value of \$150 per share was based primarily on Kirby's book value, whereas based on fair market values the Kirby stock at the date of the merger was worth at least \$772 per share. The difference of \$311,000,000 (\$622 per share) between the fair market value of Kirby's land and timber, alone, as per the defendants' own appraisal thereof at \$320,000,000 and the \$9,000,000 book value of said land and timber, added to the \$150 per share, yields a value of at least \$772 per share.

8. In addition, the majority stockholder has arranged the transaction as tax free to itself while imposing a capital gains tax on the minority stockholders.

9. The said short-form merger of controlling and controlled corporations, freezing out the minority stockholders of Kirby at the grossly undervalued price of \$150 per share by the use of means or instrumentalities of interstate commerce including U.S. mail and telephone, is a manipulative and deceptive device in breach of SEC Rule 10b-5 and a breach of fiduciary obligation owed to Kirby and its minority stockholders. The corporate defendants participated in said breaches as principals and Morgan, Stanley & Co., a co-partnership, is liable as an accessory in that it knowingly assisted and facilitated such fraud by submitting an appraisal of the stock at \$125 per share which said defendant knew was a gross undervaluation.

10. Plaintiffs have by notice mailed September 9, 1974 to Kirby, its directors, and controlling stockholder, and

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theretofore, objected to the said merger and its terms and demanded that the merger be rescinded or, failing that, that all the minority stockholders of Kirby be offered at least \$772 per share plus a reasonable amount to compensate for the capital gains tax.

11. Santa Fe and Resources have at all material times owned 95% of the stock of Kirby and controlled and dominated its board of directors and dictated the terms of the wrongful merger. Demand on the board of directors and stockholders of Kirby for relief is therefore futile.

12. Plaintiffs have no adequate remedy at law

WHEREFORE, plaintiffs pray for an order that their action in so far as brought as a class action may be maintained as such and demand judgment:

(a) That the merger aforesaid be set aside;

or

(b) That the terms of the aforesaid merger be reformed so that they are just, fair and equitable; and

(c) That the Court give such other, further, and different relief as may be just, including damages, together with costs, disbursements and a reasonable fee for plaintiffs' attorneys.

Dated: September 9, 1974

LEVENTRITT LEWITTES & BENDER

By Sidney Bender
Sidney Bender
a member of the firm

Attorneys for the Plaintiff:
405 Lexington Avenue
New York, N.Y. 10017

Tel. 986-4080

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STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

S. WILLIAM GREEN, being duly sworn, deposes and
says:

I am one of the plaintiffs united in interest and
pleading together herein. I am familiar with all of the relevant
facts herein. I have read the annexed complaint and know it to
be true of my own knowledge, except as to matters therein stated
to be alleged on information and belief, and as to those matters
I believe it to be true.

S/ S. William Green
S. William Green

Sworn to before me this
10th day of September, 1974.

S/JANE D. LOLLIS
notary public

JANE D. LOLLIS
Notary Public, State of New York
No. 317586850
Qualified in New York County
Commission Expires March 30, 19.....

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----- x
S. WILLIAM GREEN, et al., : 74 Civ. 3915 (CLB)
Plaintiffs, :
-against- : NOTICE OF MOTION
SANTA FE INDUSTRIES, INC., et al., : TO DISMISS
Defendants. :
----- x

S I R S:

PLEASE TAKE NOTICE, that upon the annexed affidavit of John C. Davis, sworn to October 31, 1974, with exhibit thereto, and upon the complaint and all prior proceedings herein, the undersigned will move this Court, at the United States Courthouse, Foley Square, New York, New York, Room 1105, on the 15th day of November, 1974, at 9:30 o'clock in the forenoon of that day, or as soon thereafter as counsel can be heard, for an Order, pursuant to Rules 12(b)(1) and (6), Federal Rules of Civil Procedure, dismissing the complaint herein for failure to state a claim upon which relief can be granted, and for such other and further relief as to the Court may seem just and proper.

PLEASE TAKE FURTHER NOTICE that, pursuant to Rule 9(c)(2) of the General Rules of this Court, answering papers, if any, must be served upon the undersigned not later than

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three days prior to the return day hereof.

Dated: New York, New York

November 4, 1974.

Yours, etc.

ROGERS & WELLS

By Guy C. Quinlan
Member of the Firm
Attorneys for Defendants
Santa Fe Industries, Inc.,
Santa Fe Natural Resources, Inc.
and Kirby Lumber Corporation
200. Park Avenue
New York, N. Y. 10017
Tel. No. (212) 972-7000

DAVIS, POLK & WARDWELL

By _____
Member of the Firm
Attorneys for Defendant
Morgan Stanley & Co.
One Chase Manhattan Plaza
New York, N. Y. 10017
Tel. No. (212) HA 2-3400

TO: LEVENTRITT LEWITTES & BENDER, Esqs.
Attorneys for Plaintiffs
405 Lexington Avenue
New York, N. Y. 10017
Tel. No. (212) 986-4080

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

S. William Green, Evelyn Green, et al.,)
)
)
Plaintiffs,)
-against-)
)
Santa Fe Industries, Inc., et al.,)
)
)
Defendants.)

STATE OF ILLINOIS)
)
 SS.
COUNTY OF COOK)

John C. Davis, being duly sworn, deposes
and says,

1. I am a Vice President of Santa Fe Industries, Inc., one of the defendants in the above action. I make this affidavit in support of defendants' motion to dismiss the complaint herein.

2. Annexed to this Affidavit, as Exhibit A, is a true copy of the Notice of Merger and Information Statement which was circulated to shareholders in connection with the merger of Forest Products, Inc., into the Kirby Lumber Corporation. A complete copy of the document attached hereto as Exhibit A, including the Exhibits thereto, was mailed to each shareholder of record of Kirby Lumber Corporation on August 1, 1974.

3. As stated at page 11 of Exhibit A hereto, a complete copy of the appraisal by Appraisal Associates, referred to in the Information Statement, has been available for inspection, by shareholders of Kirby Lumber Corporation, during normal business hours at the offices of Santa Fe Natural Resources, Inc. in Chicago, Illinois.

4. None of the Plaintiffs has tendered any of the stock of Kirby Lumber Corporation. On August 21, 1974 the plaintiffs made a demand for appraisal of their Kirby stock. By letter dated September 9, 1974 they purported to withdraw their demand for a statutory appraisal. Both of these events antedated the filing of the lawsuit on September 10, 1974.

Sworn to before me this
31st day of October 1974.

D. J. Feeney
Notary Public
MY COMMISSION EXPIRES MAY 29, 1977

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Exhibit A

NOTICE OF MERGER
OF
FOREST PRODUCTS, INC.
INTO
KIRBY LUMBER CORPORATION

TO THE HOLDERS OF CAPITAL STOCK
OF KIRBY LUMBER CORPORATION:

NOTICE IS HEREBY GIVEN pursuant to Section 253(d) of the General Corporation Law of the State of Delaware that the merger of Forest Products, Inc. ("FPI") into Kirby Lumber Corporation (the "Surviving Corporation"), pursuant to a resolution of merger duly adopted by FPI on July 30, 1974, became effective on July 31, 1974.

Under the terms and conditions of the merger and the applicable provisions of Delaware law, each share of Kirby Lumber Corporation Capital Stock outstanding at the time of the merger was cancelled upon the merger becoming effective, and each such share not owned by FPI now represents only (i) a right to receive from the Surviving Corporation One Hundred Fifty (\$150) dollars per share, in cash, upon surrender of the certificates representing such shares by the holders thereof to the Surviving Corporation's Paying Agent, or (ii) a right to seek such appraisal for such stock as is available under Delaware law (see below).

TO RECEIVE THEIR \$150 PER SHARE PAYMENT UNDER THE TERMS OF MERGER, STOCKHOLDERS OF KIRBY LUMBER CORPORATION MUST COMPLETE THE ENCLOSED LETTER OF TRANSMITTAL AND EITHER PRESENT THEIR STOCK CERTIFICATES AND THE LETTER OF TRANSMITTAL TO THE SURVIVING CORPORATION'S PAYING AGENT IN PERSON OR BY MAIL AT THE FOLLOWING ADDRESS:

Harris Trust and Savings Bank
Stock Transfer Division
111 West Monroe
Chicago, Illinois 60690

If a certificate is registered in a name other than that of the person surrendering the certificate, or if the check in payment for the shares is to be made payable to someone other than the person surrendering the certificate, then the certificates must be properly endorsed for transfer or be accompanied by properly executed stock powers, and the signature on the endorsement or the stock powers must be guaranteed by a bank or trust company having an office or correspondent in the City of Chicago, Illinois or by a firm having membership in the New York, Midwest or Pacific Coast Stock Exchanges.

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Sections 253(d) and 262(a) through (j) of the General Corporation Law of Delaware, a copy of which may be found in Exhibit A to the attached Information Statement, provides, for stockholders of Kirby Lumber Corporation unwilling to accept the aforesaid per share payment, a procedure for seeking an appraisal of the value of their shares, exclusive of any element of value arising from the expectation or accomplishment of the merger. ANY STOCKHOLDER ELECTING TO EXERCISE HIS OR HER RIGHT TO SEEK AN APPRAISAL MUST, WITHIN 20 DAYS AFTER THE DATE OF MAILING OF THIS NOTICE, WHICH WAS AUGUST 1, 1974, DEMAND IN WRITING FROM THE SURVIVING CORPORATION THE PAYMENT OF THE VALUE OF HIS OR HER STOCK. THUS, ANY STOCKHOLDER ELECTING TO EXERCISE THE RIGHT OF APPRAISAL MUST GIVE WRITTEN NOTICE THEREOF BY AUGUST 21, 1974 TO THE SURVIVING CORPORATION. ANY SUCH NOTICE MAY BE SENT TO THE PAYING AGENT AT THE ADDRESS GIVEN ABOVE OR TO THE SURVIVING CORPORATION AT THE ADDRESS GIVEN IN THE ATTACHED INFORMATION STATEMENT (SEE "GENERAL INFORMATION" IN THE INFORMATION STATEMENT). Reference also should be made to "Appraisal Rights" in the Information Statement and Exhibit A thereto for a description of this procedure.

KIRBY LUMBER CORPORATION
(the Surviving Corporation)

DATED: July 31, 1974

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INFORMATION STATEMENT
MERGER OF FOREST PRODUCTS, INC.
INTO KIRBY LUMBER CORPORATION

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**INFORMATION STATEMENT
MERGER OF FOREST PRODUCTS, INC.
INTO KIRBY LUMBER CORPORATION**

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INFORMATION STATEMENT
MERGER OF FOREST PRODUCTS, INC.
INTO KIRBY LUMBER CORPORATION

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July 31, 1974

INFORMATION STATEMENT
MERGER OF FOREST PRODUCTS, INC.
INTO KIRBY LUMBER CORPORATION

GENERAL INFORMATION

This Information Statement is being furnished to stockholders of Kirby Lumber Corporation, a Delaware corporation ("Kirby" or "Surviving Corporation"), in connection with the merger of Forest Products, Inc., a Delaware corporation ("FPI"), into Kirby, with Kirby the Surviving Corporation. As a result of the merger, which became effective on July 31, 1974, Kirby became a wholly owned subsidiary of Santa Fe Natural Resources, Inc. ("Resources"), which in turn is a wholly owned subsidiary of Santa Fe Industries, Inc. ("Santa Fe"). Pursuant to the terms of the merger, stockholders of Kirby other than FPI ("Minority Stockholders") are entitled to \$150 in cash for each share of Kirby stock. A copy of the Certificate of Ownership and Merger as filed with the Secretary of State of the State of Delaware is attached hereto as Exhibit B.

Under Delaware law, each Minority Stockholder of Kirby has the right to seek an appraisal of the value of his or her stock. In order to perfect such right of appraisal, a Minority Stockholder must make a demand in writing on the Surviving Corporation, directed to the Paying Agent or to Kirby at the address given below, within 20 days after the date of mailing of the preceding Notice of Merger, which was mailed on August 1, 1974. This Information Statement sets forth a description of the merger and includes information concerning Kirby, its business and properties together with earnings and financial statements and the results of certain appraisals made respecting Kirby. Each of the Minority Stockholders of Kirby is urged to read this material carefully in making his or her determination to seek or not to seek an appraisal pursuant to the Delaware law. See "Appraisal Rights" and Exhibit A.

The addresses and telephone numbers of Kirby, Resources, and Santa Fe are set forth in the following table:

Kirby Lumber Corporation
P. O. Box 1514
Houston, Texas 77001
(713) 225-0421

Santa Fe Natural Resources, Inc.
224 South Michigan Avenue
Suite 1426
Chicago, Illinois 60604
(312) 427-2232

Santa Fe Industries, Inc.
224 South Michigan Avenue
Suite 1015
Chicago, Illinois 60604
(312) 427-4900, Ext. 247

SUMMARY OF MERGER

On July 31, 1974, FPI was merged into Kirby with Kirby surviving the merger. The purpose of the merger was to cause Kirby to become a wholly owned subsidiary of Resources. In order to utilize the provisions of Section 253 of the General Corporation Law of the State of Delaware ("Delaware Corporation Law"), as described below, Resources caused FPI to be incorporated in Delaware on July 11, 1974. On July 29, 1974, FPI became the parent corporation of Kirby owning approximately 95% of the issued and outstanding Capital Stock of Kirby. On that date, FPI issued to Resources 1,000 shares of FPI Capital Stock in exchange for (i) 474,675-1/2 shares of Kirby Capital Stock, and (ii) cash in the amount of \$3,798,675 and (iii) the assumption of any other expenditures of FPI or Kirby arising out of or resulting from the merger of FPI into Kirby. On July 30, 1974, the board of directors of FPI (which consisted of the same persons who are members of the board of directors of Resources) adopted a resolution of merger pursuant to Section 253 of the Delaware Corporation Law, providing that FPI would be merged into Kirby with Kirby surviving and that each share of Kirby stock not owned by FPI would represent only (i) a right to receive the amount of \$150 per share in cash in exchange therefor, or (ii) a right to seek such appraisal for such stock as is available under Delaware law--(see "Appraisal Rights"). Holders of shares of Kirby stock other than FPI are entitled to receive the \$150 per share payment in cash upon surrender of their certificates for such shares to the Paying Agent. See "Paying Agent." Resources as sole stockholder of FPI approved the merger on July 30, 1974; no meeting of Kirby stockholders was required in connection with the FPI-Kirby merger. The merger became effective on July 31, 1974 when the Certificate of Ownership and Merger, in the form attached as Exhibit B, was filed with the Secretary of State of the State of Delaware.

Section 253 of the Delaware Corporation Law

Section 253 of the Delaware Corporation Law permits a parent corporation owning at least 90% of the capital stock of a subsidiary to cause a merger of the parent corporation into the subsidiary by the adoption of a resolution of merger by the parent's board of directors. See Exhibit A. Approval by the stockholders or the board of the subsidiary corporation is not required. However, approval by the stockholder of the parent corporation is necessary. Section 253 permits, in a merger pursuant to its provisions, the outstanding stock of the subsidiary other than the stock held by the parent to be exchanged for securities, cash, property or rights, other than stock in the surviving corporation. Thus, under a merger pursuant to Section 253, a parent corporation owning at least 90% of the stock of a subsidiary may cause the subsidiary to become a wholly owned subsidiary of the stockholder of the parent by providing in the resolution of merger that stockholders other than the parent shall receive cash in exchange for their shares.

Paying Agent

Harris Trust and Savings Bank has been designated as the Surviving Corporation's paying agent ("Paying Agent") to handle the exchange of stock certificates for cash due pursuant to the merger. MINORITY STOCKHOLDERS, IN ORDER TO RECEIVE THEIR \$150 PER SHARE PAYMENT UNDER THE TERMS OF MERGER, MUST COMPLETE THE ENCLOSED LETTER OF TRANSMITTAL AND EITHER PRESENT THEIR STOCK CERTIFICATES AND THE LETTER OF TRANSMITTAL TO THE PAYING AGENT IN PERSON OR BY MAIL AT THE FOLLOWING ADDRESS:

Harris Trust and Savings Bank
Stock Transfer Division
111 West Monroe Street
Chicago, Illinois 60690

All charges and expenses of the Paying Agent will be paid by Resources. If a certificate is registered in a name other than that of the person surrendering the certificate, or if the check in payment for the shares is to be made payable to someone other than the person surrendering the certificate, then the certificate must be properly endorsed for transfer or be accompanied by properly executed stock powers, and the signature on the endorsement or the stock powers must be guaranteed by a bank or trust company having an office or correspondent in the City of Chicago, Illinois or a firm having membership in the New York, Midwest or Pacific Coast Stock Exchanges.

Appraisal Rights

Minority Stockholders who object to the consideration provided under the terms of the merger may seek an appraisal of such stock under the procedures of the Delaware Corporation Law. Sub-sections 253(d) and 262(c) of the Delaware Corporation Law, copies of which are attached as Exhibit A, require the surviving corporation of a Section 253 merger to notify within 10 days after the effective date each stockholder that the merger has become effective. The notice must be sent by certified or registered mail, return receipt requested, addressed to the stockholder at his address as it appears on the records of the corporation. Any stockholder may within 20 days after the date of mailing of such notice, demand writing from such surviving corporation payment of the value of his stock exclusive of any element of value arising from the expectation or accomplishment of the merger. If during a period of 30 days following the 20 day period, the corporation and the stockholder fail to agree upon the value of such stock, any such stockholder or the surviving corporation may demand a determination of the value of the stock by a Court appointed appraiser by filing a petition with the Court of Chancery of Delaware within four months after the expiration of the 30 day period. Procedures concerning the appraisal proceedings are outlined in Subsections 262(d), (e) and (f) of the Delaware Corporation Law. See Exhibit A.

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THE NOTICE OF MERGER WHICH IS ATTACHED AND PRECEDES THIS INFORMATION STATEMENT PROVIDES NOTICE TO THE STOCKHOLDERS REQUIRED BY SECTION 253(d). THIS INFORMATION STATEMENT WAS MAILED ON AUGUST 1, 1974, AND THEREFORE MINORITY STOCKHOLDERS HAVE 20 DAYS, UNTIL AUGUST 21, 1974, TO DEMAND IN WRITING THE PAYMENT OF THE VALUE OF THEIR STOCK.

The applicable provisions of the Delaware Corporation Law are set out in Exhibit A to this Information Statement, and the foregoing brief description does not purport to be a complete summary of these provisions.

(The remainder of this page
intentionally left blank.)

CAPITALIZATION

The following table sets forth the actual capitalization of Kirby at June 30, 1974 and the pro forma capitalization of Kirby (see Note 1 below) which gives effect to the merger described in "Summary of Merger" as if such merger occurred as of June 30, 1974.

	<u>Actual</u> (In Thousands)	<u>Pro Forma(1)</u>
NOTES PAYABLE		
Santa Fe Industries, Inc. (2)	\$ 1 600	\$ 1 600
Other (3)	2 250	2 250
Total Notes Payable	3 850	3 850
STOCKHOLDERS' EQUITY		
Capital Stock, \$1 par value:		
Authorized - 750,000 shares		
Issued and outstanding -		
Actual, 500,000 shares	500	
Pro forma, 1,000 shares (1)		1
Paid-in Capital (1)	5 099	5 598
Retained Income	31 428	31 428
Total Stockholders' Equity	37 027	37 027
Total Notes Payable and Stockholders' Equity	\$ 40 877	\$ 40 877

NOTES:

(1) Upon effectiveness of the merger, pursuant to the terms thereof described in "Summary of Merger," each of the previously outstanding shares of Kirby Capital Stock was cancelled and 1,000 new shares were issued to Resources. The excess of the par value of the previously outstanding Capital Stock (500,000 shares) over the par value of the presently outstanding Capital Stock (1,000 shares) was credited to Paid-in Capital.

Pursuant to the merger with FPI, Kirby obtained \$3,798,675 in cash to be paid to the holders of Kirby's previously outstanding Capital Stock other than FPI. The only other assets of FPI at the date of merger were 474,675½ shares of previously outstanding Kirby Capital Stock.

(2) Under an interim credit agreement with Santa Fe Industries, Inc. Kirby may borrow up to \$15,000,000 to provide interim construction financing for new plywood and particleboard facilities. As of June 30, 1974, \$1,600,000 had been borrowed. It is intended that borrowings under this agreement are to be repaid with the proceeds of a term loan from a non-affiliated lender to be arranged upon completion of construction of the new facilities. Otherwise, the aggregate principal amount is payable on March 15, 1979. Interest is charged at 1/2 of 1% over the prime rate.

(3) The note payable for \$2,250,000 is unsecured, bears interest at 3/4 of 1% above the prime rate, and is payable on June 8, 1978.



KIRBY LUMBER CORPORATION
STATEMENT OF INCOME AND RETAINED INCOME

The following Statement of Income and Retained Income of Kirby Lumber Corporation ("Kirby"), insofar as it relates to the five years ended December 31, 1973, has been examined by Price Waterhouse & Co., independent accountants, whose opinion thereon appears elsewhere in this Information Statement. In the opinion of Kirby management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results of operations for the six months ended June 30, 1973 and 1974 have been included. The results of operations for the six months ended June 30, 1974 are not necessarily indicative of the results of operations for the full year 1974 (see "Operations for 1974" for information regarding anticipated results of operations for the last half of 1974.) This statement should be read in conjunction with the financial statements and notes thereto of Kirby appearing elsewhere in this Information Statement. Numerical note references relate to notes to financial statements on pages 32 and 33.

	Year Ended December 31					Six Months Ended June 30	
	1969	1970	1971	1972	1973	1973	1974
	(In Thousands)					(unaudited)	(unaudited)
REVENUES							
Manufactured products, net	\$ 17 403	\$ 14 709	\$ 18 673	\$ 22 970	\$ 25 636	\$ 13 419	\$ 13 988
Oil sales and royalties	1 320	954	964	945	1 304	789	531
Timber and land sales	962	564	535	548	558	265	2 517
Interest income	520	641	325	322	696	252	187
Other income	156	214	253	314	233	90	213
	<u>20 361</u>	<u>17 082</u>	<u>20 750</u>	<u>25 099</u>	<u>28 427</u>	<u>14 815</u>	<u>17 436</u>
COSTS AND EXPENSES							
Cost of sales	9 517	9 608	11 852	13 777	13 537	6 483	9 108
Depreciation and depletion (Note 1)	1 372	1 565	1 858	2 105	2 012	929	1 036
General, administrative and selling expenses	2 118	2 037	2 217	2 657	3 487	1 553	1 683
Taxes, other than federal income	537	625	734	852	798	453	534
	<u>13 544</u>	<u>13 835</u>	<u>16 661</u>	<u>19 391</u>	<u>19 834</u>	<u>9 418</u>	<u>12 361</u>
INCOME BEFORE FEDERAL INCOME TAX							
FEDERAL INCOME TAX (Note a)							
Currently payable	1 792	1 198	1 284	1 542	2 523	1 875	1 646
Deferred	301	-	-	36	68	91	-
	<u>2 093</u>	<u>1 198</u>	<u>1 284</u>	<u>1 578</u>	<u>2 591</u>	<u>1 966</u>	<u>1 646</u>
NET INCOME (Note a)							
RETAINED INCOME AT BEGINNING OF PERIOD	15 789	19 013	19 562	20 867	23 497	23 497	27 999
DIVIDENDS PAID (\$3.00 per share)	(1 500)	(1 500)	(1 500)	(1 500)	(1 500)	-	-
RETAINED INCOME AT END OF PERIOD	<u>\$ 19 013</u>	<u>\$ 19 562</u>	<u>\$ 20 867</u>	<u>\$ 23 497</u>	<u>\$ 27 999</u>	<u>\$ 26 928</u>	<u>\$ 31 428</u>
NET INCOME PER SHARE OF CAPITAL STOCK	<u>\$ 9.45</u>	<u>\$ 4.10</u>	<u>\$ 5.61</u>	<u>\$ 8.26</u>	<u>\$ 12.00</u>	<u>\$ 6.86</u>	<u>\$ 6.86</u>

KIRBY LUMBER CORPORATION
NOTES TO STATEMENT OF INCOME AND RETAINED INCOME

(All information relating to the six months ended June 30, 1973 and 1974 is unaudited.)

(a) The taxable income of Kirby is included in a consolidated federal income tax return filed by Santa Fe Industries, Inc., the indirect owner of 94.9% of the outstanding capital stock of Kirby (see Note 2). Under an income tax allocation agreement between Santa Fe Industries, Inc. and the members of the consolidated group, Kirby makes payments of federal income tax to its parent on the basis of the tax that would be payable if a separate return were filed by Kirby. Kirby computes its separate return federal income tax liability using an alternative tax computation method giving effect to special tax provisions applicable to companies engaged in timber operations. This resulted in Kirby not realizing tax benefits, principally from the use of accelerated depreciation methods, of \$156,000 in 1970, \$250,000 in 1971, \$172,000 in 1972, \$165,000 in 1973 and \$281,000 in the six months ended June 30, 1974. Nevertheless, under the aforementioned agreement, Kirby will be reimbursed for any excess of tax over book deduction benefits not realized (\$770,000 at December 31, 1973 and \$1,051,000 at June 30, 1974) if future operations result in Kirby paying more federal income tax than it would have paid if the excess deductions for tax purposes had not been claimed.

The following table reconciles the difference between total federal income tax and the anticipated tax computed by applying the statutory tax rate to income before federal income tax:

	Year Ended December 31					Six Months Ended June 30	
	1969	1970	1971	1972	1973	1973	1974
	(In Thousands)						
Income before federal income tax	\$ 6 817	\$ 3 247	\$ 4 089	\$ 5 708	\$ 8 593	\$ 5 397	\$ 5 075
Statutory tax rate	52.8%	49.2%	48%	48%	48%	48%	48%
Anticipated tax at statutory rate	<u>3 599</u>	<u>1 598</u>	<u>1 963</u>	<u>2 740</u>	<u>4 125</u>	<u>2 591</u>	<u>2 436</u>
 Less: Capital gain income (principally from use of alternative tax computation method)	1 242	326	549	895	1 427	597	326
Investment tax credits	30	-	40	104	79	43	480
Other	<u>234</u>	<u>74</u>	<u>90</u>	<u>163</u>	<u>28</u>	<u>(15)</u>	<u>(16)</u>
	<u>1 506</u>	<u>400</u>	<u>679</u>	<u>1 162</u>	<u>1 534</u>	<u>625</u>	<u>790</u>
Total federal income tax	<u>\$ 2 093</u>	<u>\$ 1 198</u>	<u>\$ 1 284</u>	<u>\$ 1 578</u>	<u>\$ 2 591</u>	<u>\$ 1 966</u>	<u>\$ 1 646</u>
Effective tax rate	30.7%	36.9%	31.4%	27.6%	30.2%	36.4%	32.4%

If the provision for federal income tax for the six months ended June 30, 1973 had been computed in accordance with Paragraph 19 of Opinion 28 issued by the American Institute of Certified Public Accountants, which became effective January 1, 1974, such provision would have been lower, and net income would have been greater, by \$336,000 (\$.67 per share) based on the actual effective federal income tax rate for 1973 of 30.2%.

(b) Kirby is a participant in the Santa Fe Railway System Retirement Plan whereby salaried employees are eligible for pension benefits. Expense under this plan amounted to \$180,000 in 1969, \$39,000 in 1970, \$159,000 in 1971, \$174,000 in 1972, \$176,000 in 1973, \$83,000 in the six months ended June 30, 1973 and \$102,000 in the six months ended June 30, 1974. Pension costs accrued under the plan are currently not being funded. All vested benefits under the plan are fully funded.

Kirby adopted a noncontributory retirement plan in 1971 covering substantially all hourly employees. The cost of this plan, which includes amortization of past service costs over 10 years, amounted to \$41,000 in 1971, \$65,000 in 1972, \$67,000 in 1973, \$33,000 in the six months ended June 30, 1973 and \$50,000 in the six months ended June 30, 1974. Kirby's policy is to fund pension costs accrued under this plan.

In 1973, Kirby adopted an incentive compensation plan for certain key management employees. Under this plan, additional compensation is available to the extent of ten percent of the excess of income for the year, as defined, over the amount budgeted at the beginning of the year. The cost of this plan amounted to \$268,000 in 1973 and \$108,000 and \$42,000 in the six months ended June 30, 1973 and 1974, respectively.

(c) Supplementary income statement information:

	Year Ended December 31					Six Months Ended June 30	
	1969	1970	1971	1972	1973	1973	1974
	(In Thousands)						
Maintenance and repairs	\$ 1 185	\$ 1 614	\$ 2 080	\$ 2 688	\$ 3 246	\$ 1 490	\$ 1 896
Taxes, other than federal							
income tax							
Social Security	254	269	320	346	398	206	258
Real estate and personal							
property	680	777	886	1 039	1 016	566	641
Other	69	89	110	138	155	82	79
Rents	23	31	45	81	93	41	72
Advertising costs	54	81	82	143	180	29	51

The decrease in net income for 1970 from that reported in 1969 was principally attributable to sharp declines in building material prices which resulted from depressed residential construction volumes. Oil and gas bonuses and land sales were also at levels lower than the prior year.

Net income increased in 1971 from the 1970 level principally as a result of improved prices for lumber and plywood coupled with higher volume of products shipped from expanded production facilities.

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In 1972 further volume increases attributable to the full year's operation of expanded plywood facilities and further product price increases due to the higher level of residential construction activity contributed to improved net income over that of 1971.

The increase in net income from 1972 to 1973 resulted primarily from greatly escalated prices for forest products caused by the peak demand for residential construction partially offset by declines in production brought on by flooding on parts of Kirby's timberlands and a two week strike at the Silsbee complex. Improved proceeds from oil and gas leases and higher interest rates on temporary investments also contributed to improved net income.

In the six months ended June 30, 1974, net income was approximately equal to that of the corresponding period of the prior year. (See Note a to Statement of Income and Retained Income for effect on net income for the six months ended June 30, 1973 of federal income tax rates.) Increased sales of saw logs under timber contracts offset declining profits of manufactured products, where labor and material cost increases were greater than revenue increases.

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RECENT PURCHASES OF KIRBY STOCK BY
AFFILIATES OF SANTA FE INDUSTRIES, INC.
AND THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

As a result of the reorganization of the predecessor of Kirby Lumber Corporation in 1936, a wholly owned subsidiary of The Atchison, Topeka and Santa Fe Railway Company ("Railway") became the owner of approximately 60% of the Capital Stock of Kirby issued and outstanding at the time. Since then various affiliates of Railway and Santa Fe, which now owns all the stock of Railway, have purchased shares of Kirby stock. In 1967 an affiliate of Railway offered to purchase Kirby shares at a price of \$65 per share from stockholders of Kirby. As a result, 27,979-1/2 shares were tendered and acquired for \$65 per share.

The following summary shows the prices paid by affiliates of Santa Fe and Railway for shares of Kirby stock from 1968 to the present:

<u>Year</u>	<u>Number of Shares Purchased</u>	<u>Price Per Share</u>
1968	500	\$65.00
1969	88	85.00
1969	1,200	92.50
1970	25	84.00
1970	844	85.00
1971	147	85.00
1972	100	85.00
1972	100	90.00
1973	141	85.00
1973	310	88.00
1973	1,446	90.00

No stock has been acquired by affiliates of Santa Fe and Railway since October, 1973.

The number of issued and outstanding shares of Kirby Capital Stock not owned by Resources or its predecessors which have been available for trading has been small. Information concerning market prices in transactions other than those involving affiliates of Santa Fe and Railway is not available for inclusion in this Information Statement. For the period covered by the summary above, Santa Fe, Railway and their affiliates are not aware of any person or persons who have acted as a "market maker" for Kirby stock.

DIVIDENDS

During the past five years, 1969 through 1973, Kirby has declared and paid annual dividends in December of \$3 per share. No dividends have been declared or paid in 1974.

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OPINION OF MORGAN STANLEY & CO.

In response to a request from Santa Fe Industries, Inc., Morgan Stanley & Co., an investment banking firm, has furnished an opinion as to the present fair market value of a share of Capital Stock of Kirby. Based on studies of Kirby, its financial position, operating history and appraisals of its assets and mineral holdings, and comparisons with other publicly held companies in the forest products industry, and on the assumptions that (i) the shares of Kirby were broadly distributed and freely traded such that willing buyers and willing sellers could readily effect transactions and (ii) the shares were split so that they would trade within the range of prices typical for many publicly held companies, it is Morgan Stanley & Co.'s opinion that, under current market conditions, the price at which Kirby stock would trade would be the equivalent of \$125 a share.

A copy of their opinion letter is reproduced in full at Exhibit C.

In the past Morgan Stanley & Co. has prepared studies for and provided financial advice to Railway and Santa Fe. Morgan Stanley & Co. is to be paid a fee of \$125,000 by Santa Fe for preparing its opinion, plus out-of-pocket expenses of \$2,500. Members of the firm of Morgan Stanley & Co., together with their immediate families, own no securities of Santa Fe or Kirby.

ASSETS APPRAISALS

Appraisal of Land, Timber, Buildings and Machinery

In response to a request by Santa Fe Industries Inc., Appraisal Associates of Kansas City, Missouri conducted an appraisal of the land, exclusive of minerals, and the timber, buildings and machinery belonging to Kirby as of December 31, 1973. Based upon information supplied by Kirby, inspection of the Kirby properties, and information and date supplied by knowledgeable sources, it is the judgment of Appraisal Associates that the market value of the land, exclusive of minerals, and the timber, buildings and machinery belonging to Kirby as of December 31, 1973 was \$320,000,000.

The letter dated February 19, 1974 from Appraisal Associates setting forth their opinion is reproduced in full at Exhibit D. A complete copy of the appraisal is available for inspection by Minority Stockholders during normal business hours at the offices of Santa Fe Natural Resources, Inc., 224 South Michigan Avenue, Suite 1426, Chicago, Illinois 60604.

Before conducting this appraisal, Appraisal Associates had not provided any services for Santa Fe or its affiliates. Appraisal Associates has been paid a fee of \$32,018.81 by Santa Fe for preparing their appraisal, plus out-of-pocket expenses of \$5,977.41. Members of the firm of Appraisal Associates do not hold any securities issued by Santa Fe or Kirby.

This appraisal was considered by Morgan Stanley & Co. when preparing their opinion. See "Opinion of Morgan Stanley & Co."

Inventory of Kirby Forests

Resource Management Services, Inc., professional foresters, assisted Appraisal Associates in estimating the contribution of the timber in Kirby forests primarily by updating an inventory of Kirby forests previously taken as of January 1, 1970. The updated inventory as of January 1, 1974 showed Kirby to have a total of 2,904,213 cords of pulpwood and 2,518,870.4 MBF of sawtimber.

For its services Resource Management Services, Inc. has been paid a fee of \$15,099.90 plus out-of-pocket expenses of \$4,512.79.

Appraisal of Mineral Rights

In response to a request by Santa Fe Industries, Inc., Riggs and Associates, petroleum reservoir consultants, conducted an appraisal of the producing oil and gas royalty interests of Kirby and of its mineral ownership in nonproducing properties in Texas and Louisiana as of January 1, 1974. Based upon forecasts of future gross and net oil and gas production, revenue, expenses, and net revenue for each producing royalty interest, current oil and gas prices in effect, and the cash flow stream, Riggs and Associates are of the opinion that the reasonable market value of Kirby's producing oil and gas reserves is \$1,856,000. Based upon tract-by-tract estimates, proximities of tracts to recent activity, economic models, and verification through examination of historical revenues derived by Kirby from lease bonuses and rentals for nonproducing leases, and assuming that the market evaluation of around 1400 separate tracts can be considered valid only in the aggregate, Riggs and Associates are of the opinion that the reasonable value of Kirby's nonproducing mineral interests is \$6,368,000.

The opinion letter with tables is reproduced in full at Exhibit E.

This appraisal was considered by Morgan Stanley & Co. when preparing their opinion. See "Opinion of Morgan Stanley & Co."

Mr. Roy Riggs of Riggs and Associates has had previous dealings with Santa Fe and its subsidiaries. As an employee and later president of James A. Lewis Engineering, Inc. ("Lewis"), Mr. Riggs prepared periodic performance reports and special reports for which Lewis received substantial fees. Lewis' services were first used by a Santa Fe affiliate in 1963. In the Fall of 1973 Mr. Riggs left Lewis to start Riggs and Associates and entered into a consulting agreement with Resources under which Riggs and Associates would provide consulting services on a fixed man hour basis in return for a monthly fee of \$5,500 plus out-of-pocket expenses. Fees paid to Riggs and Associates attributable to the preparation of this appraisal are \$5,965.75 plus \$1,149.37 for out-of-pocket expenses. Neither Lewis nor Mr. Riggs has done any previous work concerning Kirby or its properties. Mr. Riggs presently owns 100 shares of Santa Fe Common Stock and no shares of Kirby.

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BUSINESS AND PROPERTIES OF KIRBY

GENERAL

Kirby is engaged primarily in the manufacture and marketing of lumber, plywood, and other wood products. It also receives income from its mineral holdings, sales of timber and land, and other sources.

CONTRIBUTION BY BUSINESS ACTIVITIES

The table on the following page summarizes (1) revenues, including revenues from manufactured products by each class of similar products, and (2) income before federal income tax, of each of the business activities of Kirby for the five years ended December 31, 1973 and the six months ended June 30, 1973 and 1974. Sales of manufactured products during these periods accounted for approximately 80 to 92% of total revenues.

TIMBER AND MANUFACTURED PRODUCTS

General

Kirby manufactures and sells plywood and lumber to industries and wholesalers principally in Texas and the South. Kirby owns and operates a sawmill, wood preserving and plywood plant at Silsbee, Texas and an industrial wood component plant in Cleveland, Texas. A plywood plant near Bon Wier, Texas and a particleboard plant at Silsbee, Texas are under construction.

Kirby owns 557,223 acres of forest lands and manages another 75,000 acres owned by a wholly owned subsidiary of Resources. See "Certain Transactions with Santa Fe Industries, Inc. and Its Subsidiaries". From this base, Kirby primarily harvests pine for conversion in its own facilities to lumber, plywood and by-products. Some pine is sold as pulpwood to outside users in eastern Texas and southerwestern Louisiana. Kirby continues to manage with a sustained yield forest management system under which more timber is grown than is harvested. Under this system approximately 98.5% of the net annual growth of pine saw timber is cut. The accelerated reforestation program initiated in 1972 is being continued and 52,000 acres were subjected to various forms of reforestation measures in 1973. Kirby also has a Seed Tree Orchard where genetically superior strains of trees are being grown for reforestation activities in the 1980's.

Kirby conducts most of its logging operations on a contract basis with independent logging operators.

KIRBY LUMBER CORPORATION
CONTRIBUTION BY BUSINESS ACTIVITIES

	Year Ended December 31					Six Months Ended June 30	
	1969	1970	1971	1972	1973	1973	1974
	(In Thousands)						
REVENUES							
Manufactured products, net							
Lumber	\$ 9 854	\$ 8 091	\$ 8 798	\$ 10 008	\$ 10 546	\$ 5 320	\$ 5 882
Plywood	4 637	4 135	6 435	8 874	10 276	5 951	5 343
Other	2 912	2,483	3 440	4 088	4 814	2 148	2 763
Total	17 403	14 709	18 673	22 970	25 636	13 419	13 988
Oil sales and royalties	1 320	954	964	945	1 304	789	531
Timber and land sales	962	564	535	548	558	265	2 517
Interest income	520	641	325	322	696	252	187
Other income	156	214	253	314	233	90	213
	<u>\$ 20 361</u>	<u>\$ 17 082</u>	<u>\$ 20 750</u>	<u>\$ 25 099</u>	<u>\$ 28 427</u>	<u>\$ 14 815</u>	<u>\$ 17 436</u>
 INCOME BEFORE FEDERAL INCOME TAX							
Manufactured products	\$ 3 899	\$ 910	\$ 2 052	\$ 3 598	\$ 5 831	\$ 4 010	\$ 1 646
Oil sales and royalties	1 320	954	964	945	1 304	789	531
Timber and land sales	922	528	495	529	529	256	2 498
Interest income	520	641	325	322	696	252	187
Other income	156	214	253	314	233	90	213
	<u>\$ 6 817</u>	<u>\$ 3 247</u>	<u>\$ 4 089</u>	<u>\$ 5 708</u>	<u>\$ 8 593</u>	<u>\$ 5 397</u>	<u>\$ 5 075</u>

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Operations During 1973

In 1973, Kirby's revenues totaled \$28.4 million, 13% above 1972 revenues of \$25.1 million. Net income for 1973 was \$6.0 million (\$12.00 per share), 45% greater than 1972's \$4.1 million (\$8.26 per share). Increased revenues and net income in 1973 resulted in part from increased prices for Kirby products permitted under Phase III of the Economic Stabilization Program in early 1973 and, additionally, from peak levels of residential construction activity during the first nine months of the year. Average prices of lumber and plywood sold in 1973 increased 36.2% and 17.7% respectively, over 1972 prices, compensating for a decline in total production caused by the combined effect of a two-week strike at the Silsbee, Texas plant in mid-year and unprecedented flooding throughout the year on its forest lands. Housing starts, however, declined sharply in late 1973.

Major capital programs in reforestation, construction and diversification brought total capital expenditures to \$11.0 million in 1973. See "Recent Developments."

Operations During 1974

Kirby's net income for the first six months of 1974 was \$3.4 million, virtually identical to net income for the first six months of 1973. A substantial decline from this level is expected, however, for the remainder of 1974 for two principal reasons. First, the decline in income from manufactured products during the first six months of 1974 from the first half of 1973 (see "Contribution by Business Activities") is expected to continue. During the first half of 1974 this decline was offset by sales of standing timber. Because essentially all of Kirby's 1974 timber sales were completed and paid for as of June 30, 1974, minimal income is anticipated from this source during the second half of 1974. Secondly, the declining levels of housing starts are expected to deteriorate further in the second half of 1974, which should narrow profit margins from manufacturing operations. Prices for lumber, plywood, and particleboard have already declined substantially in 1974 as demand weakened.

Kirby management does not expect any significant improvement in income in 1975 over 1974 levels unless the national economy improves, interest rates decline and mortgage money becomes available resulting in increased housing starts and general improvement in the building industry.

Capital expenditures for the first half of 1974 totaled \$12.2 million. An additional \$10.9 million is expected to be expended in the last half of 1974.

Recent Developments

In the Spring of 1973, construction was started on a new plywood plant at Bon Wier, Texas. Although construction was hampered by heavy rains in 1973, start-up is anticipated in late 1974 as originally projected. Kirby's annual plywood capacity of 117 million square feet (3/8 inch equivalent) will be more than

doubled when this new 160 million square feet capacity plant is completed. Wood raw materials for the plant will come from Kirby's timber resources.

In mid-1973, plans were announced for major diversification by Kirby into another field of wood products when Kirby purchased Evans Products Company's Silsbee, Texas particleboard plant which had been shut down since March, 1973. Demolition of various obsolete facilities of the plant was completed in 1973, and construction of the new 80 million square feet (3/4 inch equivalent) a year particleboard plant has been started with initial operations scheduled for late 1974. Approximately 60% of the wood required for particleboard production will come from Kirby's plants, while the remainder will be secured from outside sources.

Differing Senate and House Bills establishing a 85,000 to 100,000 acre Big Thicket National Biological Reserve have passed their respective houses and are pending before a House - Senate Conference Committee. The establishment of such a reserve will probably result in the loss by condemnation of 12,000 to 15,000 acres of Kirby forest land. If passed it may be several years before Kirby receives compensation, and depending on the final form of the Act, Kirby may be prevented from harvesting the timber during this time. Payment of capital gains tax will be avoided if replacement lands can be acquired with condemnation funds within the allowed statutory period.

For several years Kirby has participated in discussions with a number of forest product companies seeking a joint venture in various forms with Kirby involving the conversion of Kirby pulpwood and wood chips into paper products. Kirby has not reached a decision with respect to the basic question of the desirability of Kirby's participation in a joint venture paper products conversion plant.

Kirby has a number of new long-term capital expansion plans under various stages of consideration. These plans include both new facilities to expand present product lines and ventures into new product lines for its basic timber resource. None of these plans has received final approval of the Kirby management or its Board of Directors, and it is possible that some or all of these expansion plans will never be carried through to completion. However, if all of these plans were carried out in the next five years, Kirby would require new capital investment totalling approximately \$50 million during the period and would expect to generate additional revenues and income from such investment.

Marketing

Kirby is moving away from the sale of its products through brokers and middlemen and now utilizes a single "in-house" group to market about 80% of its lumber and 100% of its plywood. This group monitors markets and prices and varies the production mix of lumber and plywood accordingly.

Employees

During 1973 Kirby employed an average of 971 employees. The Silsbee plant complex is unionized, but the dimension plant at Cleveland, Texas is not. Following a two-week strike at the Silsbee complex in 1973, a three-year contract was entered with the International Woodworkers of America. The contract, which expires July 28, 1976, provides for yearly wage increases.

When completed, the plywood plant at Bon Wier and the particleboard plant at Silsbee will employ approximately 400 employees.

Kirby is a participant in the Santa Fe Railway System Retirement Plan under which salaried employees are eligible for pension benefits. Kirby also has a noncontributory retirement plan covering substantially all hourly employees. See Note (b) of "Notes to Statement of Income and Retained Income".

In 1973, Kirby adopted an incentive compensation plan for certain key management employees. Under this plan, additional compensation is available to the extent of ten percent of the excess of income for the year, as defined, over the amount budgeted at the beginning of the year. The cost of the plan in 1973 was \$268,000. See Note (b) of "Notes to Statement of Income and Retained Income".

Also selected management employees have been granted options at no expense to Kirby to purchase Santa Fe Common Stock under Santa Fe's 1968 qualified stock option plan.

Since the enactment of the Occupational Safety and Health Act of 1970, Kirby has spent substantial amounts of money to conform its operations to the Act's standards. Presently, there is a two year moratorium on some of the noise standards applicable to the forest products industry because of the unavailability of appropriate technology.

Competition and Other Factors

Kirby encounters strong competition in the production and sale of lumber, plywood and forest products from producers of similar commodities as well as from producers of building material substitutes.

During 1973 and the first six months of 1974 when many petroleum based products were in short supply, Kirby was able to secure sufficient quantities of such products, including phenolic resin for bonding plywood, necessary to carry out its operations. It also has an assured supply of alternate fuel for its plants' operations since wood residue may be burned. The energy shortage could contribute to reduced housing starts in the future which would, in turn, reduce demand for Kirby's products and lead to increased manufacturing costs primarily in the manufacture of plywood and particleboard where petroleum based resins (the prices of which increased 234% since January 1, 1973) already account for approximately 65% of the plywood material and supply costs, exclusive of raw lumber costs.

In the area of forest and land management, Kirby is faced with the uncertainties created by state and federal regulation. Kirby has felt pressure from environmentalists since the mid- and late- 1960's to replace clear cutting with selective cutting, and to refrain from harvesting timber along creeks, highways and housing. Under current regulations the states determine when conditions are proper for culturally prescribed burning, limiting the total to only 50-70 days per year.

Litigation

In 1972 a class action was filed in the United States, District Court, Eastern District of Louisiana, on behalf of building supply dealers against substantially all U.S. and Canadian lumber and plywood manufacturers, including Kirby, and various trade associations. In 1973 four additional class actions were filed on behalf of others engaged in the manufacture, sale or use of plywood products against essentially the same lumber and plywood manufacturers. These cases principally involve the allegation that the defendants engaged in certain acts which operated to restrain trade in violation of the antitrust laws, for which treble damages are sought. Protracted litigation seems likely, but in the opinion of management and counsel such litigation will not have a material adverse effect on the financial position or results of operations of Kirby.

OIL AND GAS OPERATIONS

General

Kirby owns various oil, gas and mineral interests on its properties. Income is generated through lease and option payments and royalties from these interests. Kirby does not operate any of the leases. Over the last five years the number of wells abandoned has exceeded the number of new producing wells, so that there has been a steady decline of producing wells from 70 in 1969 to 50 in 1973.

Operations in 1973 and 1974

Nine new wells were drilled on Kirby's mineral holdings in 1973 and two were completed as producers. Also during 1973, twenty-four new oil and gas lease agreements covering 25,934 mineral acres were consummated, along with four option agreements on an additional 7,870 acres. For the year Kirby received \$1.3 million in oil and gas related revenues.

During the first six months of 1974, Kirby received \$.5 million in oil and gas related revenues, as compared to \$.8 million during the same period in 1973.

SALE OF TIMBER AND LAND

From time to time Kirby sells timber to lumber, plywood or paper manufacturers when timber available for harvesting exceeds the amount needed in its own manufacturing operations. Kirby occasionally sells land which is no longer needed for operations.

During the first half of 1974, Kirby sold 16.7 million board feet of standing timber, representing the difference between the 1974 sustained-yield budget and Kirby's plant requirements for the year. Little, if any, standing timber will be sold in 1975 due to the timber needs of the Bon Weir plywood plant which is expected to be completed late this year.

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PROPERTIES

Forest Lands

As of January 1, 1974 Kirby owned 557,222.6 acres of forest lands located in eleven counties and two parishes along the eastern border of Texas and the southwestern border of Louisiana, respectively, as listed below.

<u>Location</u>	<u>Estimated* Acreage as of January 1, 1974</u>
San Jacinto County, Texas	1,245.0
Liberty County, Texas	48,259.1
Polk County, Texas	40,535.7
Hardin County, Texas	129,458.0
Jefferson County, Texas	190.8
Tyler County, Texas	91,550.5
Shelby County, Texas	76.0
San Augustine County, Texas	21,782.2
Sabine County, Texas	10,602.5
Jasper County, Texas	53,334.4
Newton County, Texas	<u>124,513.8</u>
 Total Texas Forest Lands	 <u>521,548.0</u>
Vernon Parish, Louisiana	24,908.0
Beauregard Parish, Louisiana	<u>10,766.6</u>
 Total Louisiana Forest Lands	 <u>35,674.6</u>
 Grand Total Forest Lands	 <u>557,222.6</u>

* This estimate was prepared in conjunction with the appraisal discussed under "Appraisal of Land, Timber, Buildings and Machinery."

The timber on these lands is in varying combinations of southern pine, loblolly pine and hardwood. Kirby has a total of 63,989 acres in pine plantations made up of 36,830 acres in southern pine plantations, 15,507 acres in loblolly pine plantations, and 10,652 acres in mixed pine plantations. The first plantations were planted in 1940. Since 1969-1970, 21,637 acres have been planted, which is 34% of the total plantation acreage. Of the total plantation acreage of 64,000, 33,000 acres of timber are of marketable age.

None of Kirby's forests are overly mature. The forests were cleared of the oldest trees (100-120 years) over twenty years ago. Presently they are being managed to yield trees no more than 60-70 years old and will eventually contain trees no more than 40-50 years old.

Kirby carries no fire or casualty insurance on its forests. Since mid-1960, Kirby has attempted to secure title insurance for the amount of the purchase price when it acquires new lands. Lands acquired prior to that time are not covered by title insurance. In 1972 about 4,000 acres of Kirby forest were severely damaged by hailstorms, but the majority of the timber was cut before it died.

Kirby has identified 40 of its tracts, a total of 26,933.5 acres, all or part of which are considered to have potential use as recreational, residential, or industrial lands. When conducting their appraisal, Appraisal Associates classified 10,674.4 of those acres as "Realty Acres" having a higher and better use than the production of forest products. See "Appraisal of Land, Timber, Buildings and Machinery."

Plant Buildings, Machinery and Equipment

Silsbee, Texas

The traditional business of Kirby has been to convert its timber resources to lumber and plywood. The main complex for this conversion is located on 247 acres of land at Silsbee, Texas, and consists of steam and power generating facilities, a sawmill and plywood plant.

The facility used to produce lumber is the sawmill, which was constructed in 1955. The sawmill facility consists of log receiving and storage pond facilities, log debarking facilities, the sawmill proper, chipping facilities, drying facilities, remanufacturing facilities and planing, finish and storage facilities. Ancillary facilities include a shop, warehouse, office building, a wood preserving plant, and a mill which produces "2 by 4s" from the plywood lathe cores.

The present annual capacity of the sawmill is 60 million board feet (MMBF) with 58.6 MMBF the actual production in 1973. The sawmill contains Kirby's oldest equipment. Breakdowns in

the plant are not uncommon. The sawmill was originally built to produce lumber in specialty sizes and sort it into numerous qualities. However, Kirby has moved to the higher volume, faster production of dimension lumber in a relatively few sizes. One result of this change is that the large storage sheds which were built to hold hundreds of different items in finished inventory now have a considerable amount of unused space.

It is anticipated that sawmill capacity for 1975 will be substantially reduced as a result of plant modifications. In order to obtain satisfactory profit margins for the Silsbee complex, substantial modifications estimated to cost in excess of \$6.0 million will be required in the near future.

The Company's plywood plant at Silsbee was completed in 1964 and expanded in 1971 and 1972. The plant contains two lathes, three veneer dryers, two presses, grading and saw lines and a loading area. The capacity of the plywood plant is 117 million square feet (MMSF) (3/8" equivalent), with 105 MMSF the actual production in 1973.

A new particleboard plant is being constructed on 10 acres where Evans Products Company formerly operated a plant. Three buildings of the old plant remain, while most of the old machinery has been scrapped. Parts of the buildings have been torn down and new machinery is being installed. The plant should be in operation in late 1974. See "Recent Developments."

Cleveland, Texas

Kirby has a small facility at Cleveland, Texas located on 7.5 acres of Railway land at which special order items, such as chair seats, are made from plywood and particleboard. The physical plant consists of production equipment and a metal building with an office section, and various storage buildings.

Bon Wier, Texas

In the Spring of 1973, construction was started on a new plywood plant on a 40-acre site in Bon Wier, Texas. The project was approximately 75% complete as of June 30, 1974, and initial operations are scheduled for late 1974. The plant has been designed to produce 160 MMSF (3/8" equivalent) annually following a normal start-up period of approximately one year.

Operating Equipment

Kirby owns automobiles, trucks, intra-plant railroad equipment, office equipment and furniture, firefighting equipment and other operating equipment in sufficient quantities to support its operations.

Oil and Gas Properties

Kirby's mineral interests are located within 314,188 net mineral acres in 19 counties and parishes in Texas and Louisiana. Most of the mineral acreage is located in the Upper Gulf Coast geological province of Southeast Texas and Western Louisiana. Kirby's proved producing oil and gas reserves are 336,578 barrels of crude oil and 2,739,762 MCF of gas as determined by Riggs and Associates in their appraisal. See "Appraisal of Mineral Rights" and Table 2 to Exhibit E.

Miscellaneous Properties

Kirby also operates a trailer park on 54 acres near Beaumont, Texas and similar facilities, primarily for employees, on about 10 acres near Bon Wier, Texas.

CERTAIN TRANSACTIONS WITH SANTA FE INDUSTRIES, INC. AND ITS SUBSIDIARIES

Sales of Kirby Products To The Atchison, Topeka and Santa Fe Railway Company

From time to time, Kirby sells lumber and plywood to Railway. During 1973 sales amounted to \$425,000, and for the first six months of 1974 sales amounted to \$185,000. All sales are at market prices.

Kirby Shipments on The Atchison, Topeka and Santa Fe Railway Company

Kirby has utilized the transportation services of Railway which is the only railroad serving Silsbee. Kirby receives some saw timber by rail while shipping out some lumber and plywood by rail. All shipments are made at tariff rates. During the twenty-nine months from January 1, 1972 through May 31, 1974, Kirby shipped approximately 9% of its lumber and 65% of its plywood via Railway with most of the balance distributed by Kirby trucks or customer trucks. Beginning in 1973, Railway traffic attributable to Kirby operations has been sharply reduced primarily due to a shift in inbound saw timber deliveries from rail to truck. The following table shows carloads shipped by and revenues paid to Railway by Kirby for the years 1969 through 1973 and the first five months of 1974.

<u>Year</u>	<u>Carloads</u>	<u>Railway Revenues</u>
1969	5851	\$569,885
1970	5669	584,078
1971	4799	512,058
1972	4803	585,562
1973	2876	381,274
First 5 months of 1974	1106	191,848

Management of Southwestern Improvement Co.'s Forest Lands

Since January 1970, Kirby has managed the surface estate of approximately 75,000 acres of forest lands owned by Southwestern Improvement Company ("Southwestern"), a wholly owned subsidiary of Resources. Kirby manages the lands in the same manner it manages its own. For managing Southwestern's lands, Kirby receives an annual service charge which is based on the average per acre cost of managing all timber lands owned or managed by Kirby for the preceding year. Additionally, Kirby is entitled to purchase at fair market prices the entire amount of timber ready for harvesting. During 1973 Kirby received \$98,799.96 in service charges and purchased \$197,643.16 of pine saw timber from Southwestern. During the first six months of 1974, Kirby received \$62,819.50 in service charges and purchased \$4,209.84 of pine saw timber.

Acquisition of Walker-Kurth Lumber Company by Santa Fe Industries, Inc.

In 1973, Kirby's resident and representatives of the stockholders of Walker-Kurth Lumber Company ("Walker-Kurth") had several discussions concerning the sale of the stock of Walker-Kurth to Kirby. The Walker-Kurth stockholders insisted on receiving, in exchange for their stock, stock of a company listed and traded on a national securities exchange and on a tax-free exchange; however, Kirby was unable to comply with this condition. As a result, the stockholders of Walker-Kurth, upon the suggestion of Kirby's President, entered into discussions with Santa Fe which resulted in the acquisition of all of the stock of Walker-Kurth by Santa Fe in late 1973.

Management Consulting Agreement with Walker-Kurth Lumber Company and Sales by Kirby to Walker-Kurth Lumber Company

As of April 1, 1974, Kirby and Walker-Kurth entered a management consulting agreement under which Walker-Kurth pays \$24,000 annually to Kirby in return for certain services which includes, among other things, general management consultation, accounting and financial advisory services, forecasting and profit planning techniques, and personnel policies and practices. During the first six months of 1974 Kirby has received \$6,000.00 in fees under the arrangement.

Kirby also sells lumber and plywood to Walker-Kurth at current market prices. In 1973 Kirby's sales totalled \$91,884.68 while in the first six months of 1974 sales totalled \$80,978.74.

Management Fee Arrangement with Santa Fe Industries, Inc.

Subsidiaries in which Santa Fe has a greater than 50% ownership, such as Kirby, pay an annual management fee to Santa Fe. The fee paid by each subsidiary is a portion of Santa Fe's general and administrative expenses determined by a formula based on the subsidiary's annual sales and income before federal income tax and Santa Fe's investment at equity in the subsidiary. In 1973 the fee paid by Kirby was \$94,000, an increase from \$69,000 in 1972. Kirby's 1974 fee is estimated to be \$96,000.

Construction Management Contract with Robert E. McKee, Inc.

Robert E. McKee, Inc. ("McKee"), a wholly owned subsidiary of Santa Fe has been hired to furnish construction management and contract administration services in conjunction with the construction of the new plywood plant at Bon Wier, Texas. McKee is a general construction contractor operating principally in the South, Southwest and West and is also active in the field of construction management. As of June 30, 1974, Kirby has paid McKee \$34,587.00 for its services since construction was first started in the Spring of 1973.

Oil and Gas Lease with Coline Oil Corporation

Coline Oil Corporation ("Coline"), a wholly owned subsidiary of Resources, operates Kirby Lease No. 300. Kirby has a 12.5% royalty interest in the lease from which it received \$1,750 from Coline during the first six months of 1974.

Santa Fe Industries, Inc.Consolidated Federal Income Tax Return

The taxable income of Kirby is included in a consolidated federal income tax return filed by Santa Fe, the indirect owner of the outstanding Capital Stock of Kirby. Under an income tax allocation agreement between Santa Fe and the members of the consolidated group, Kirby makes payments of federal income tax to its parent on the basis of the tax that would be payable if a separate return were filed by Kirby. Kirby computes its separate return federal income tax liability using an alternative tax computation method giving effect to special tax provisions applicable to companies engaged in timber operations. See Note (a) of the "Notes to Statement of Income and Retained Income."

Interim Credit Agreement with Santa Fe Industries, Inc.

Under an interim credit agreement with Santa Fe, Kirby may borrow up to \$15,000,000 to provide interim construction financing for the new plywood facility and particleboard facilities.

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As of June 30, 1974 \$1,600,000 had been borrowed. It is intended that borrowings under this agreement are to be repaid with the proceeds of a term loan from a non-affiliated lender to be arranged upon completion of construction of the new facilities. Otherwise, the aggregate principal amount is payable on March 15, 1979. Interest is charged at 1/2 of 1% over the prime rate. See Note 3 of the "Notes to Financial Statements."

Land Exchange with Subsidiary of Santa Fe

In 1972, in order to take advantage of the nonrecognition of gain provisions of the Internal Revenue Code, 439.07 acres of Kirby real estate which had developed a higher economic use than timber lands were exchanged, based on fair market values, for 3,797.59 acres of timber land selected by Kirby and acquired for that purpose by a wholly owned subsidiary of Santa Fe. The value of the Kirby land exchanged, which approximated \$828,000, was determined by independent appraisals. The exchange was a tax-free exchange for Federal income tax purposes and no gain or loss was recorded on the books of Kirby.

DESCRIPTION OF KIRBY STOCK

The Certificate of Incorporation, as amended, of Kirby provides for 750,000 shares of authorized Capital Stock with a par value of \$1. Prior to the merger, 500,000 shares were issued and outstanding, and upon effectiveness of the merger 1,000 shares were outstanding. Each share of Capital Stock entitles the holder to one vote thereof for the election of directors and all other matters submitted to the vote of stockholders. The Capital Stock has noncumulative voting rights. On liquidation, dissolution, or winding up, stockholders are entitled to share ratably in all assets available for distribution. Stockholders have no pre-emptive rights.

MISCELLANEOUS

Information contained in this Information Statement has been furnished by Santa Fe, Resources, and Kirby.

The cost of preparing and mailing this Information Statement will be borne by Resources.

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KIRBY LUMBER CORPORATION
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REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of
Kirby Lumber Corporation

In our opinion, the accompanying balance sheet and the related statement of income and retained income, appearing elsewhere in this Information Statement, and the statement of changes in financial position present fairly the financial position of Kirby Lumber Corporation at December 31, 1973 and the results of its operations and the changes in its financial position for the five years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Houston, Texas
February 3, 1974

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KIRBY LUMBER CORPORATION
BALANCE SHEET

	December 31, 1973	June 30, 1974
	(unaudited)	
	(In Thousands)	
ASSETS		
CURRENT ASSETS		
Cash	\$ 52	\$(163)
Temporary investments (at cost which approximates market)	7 374	200
Accounts and notes receivable	1 645	1 920
Inventories (Note 1)	1 470	1 652
Prepaid and deferred charges	210	273
 Total current assets	 10 751	 3 882
 NOTES RECEIVABLE COLLECTIBLE AFTER ONE YEAR	 25	 -
 PROPERTIES, at cost (Note 1)		
Timber and land	7 455	8 628
Mills, millsite and equipment	32 615	33 103
 Total properties	 40 070	 41 731
Less - Accumulated depreciation	17 146	18 118
 Construction in progress	 22 924	 23 613
	8 663	19 166
 Net properties	 31 587	 42 779
 TOTAL	 \$ 42 363	 \$ 46 661
LIABILITIES AND STOCKHOLDERS' EQUITY		
 CURRENT LIABILITIES		
Accounts and wages payable	\$ 2 283	\$ 1 851
Accrued liabilities	1 660	1 772
Federal income tax payable (Note a)	61	548
Note payable due within one year (Note 3)	1 000	-
 Total current liabilities	 5 004	 4 171
 NOTES PAYABLE (Note 3)	 2 250	 3 850
 DEFERRED FEDERAL INCOME TAX (Note 1)	 1 139	 1 139
 UNFUNDED PENSION COSTS (Note b)	 372	 474
 STOCKHOLDERS' EQUITY		
Capital stock \$1 par value, 750,000 shares authorized, 500,000 shares issued and out- standing (Note 2)	500	500
Paid-in capital	5 099	5 099
Retained income	27 999	31 428
 Total stockholders' equity	 33 598	 37 027
 TOTAL	 \$ 42 363	 \$ 46 661

(See notes to financial statements)



KIRBY LUMBER CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31					Six Months Ended June 30 (unaudited)
	1969	1970	1971	1972 (In Thousands)	1973	
WORKING CAPITAL SOURCES						
Net income	\$ 4 724	\$ 2 049	\$ 2 805	\$ 4 130	\$ 6 002	\$ 3 429
Depreciation and depletion	1 372	1 565	1 858	2 105	2 012	1 034
Unfunded pension costs	-	39	116	42	176	102
Deferred federal income tax	301	-	-	36	68	-
Working capital provided from operations	6 397	3 653	4 779	6 313	8 258	4 565
Notes payable (Note 3)	-	-	-	-	3 250	1 600
Other, net	(98)	(56)	113	81	134	25
Total working capital sources	6 299	3 597	4 892	6 394	11 642	6 190
WORKING CAPITAL USES						
Capital expenditures	1 247	4 960	2 874	3 780	11 028	12 226
Portion of note payable becoming due within one year	-	-	-	-	1 000	-
Dividends paid	1 500	1 500	1 500	1 500	1 500	-
Total working capital uses	2 747	6 460	4 374	5 280	13 528	12 226
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ 3 552</u>	<u>\$ (2 863)</u>	<u>\$ 518</u>	<u>\$ 1 114</u>	<u>\$ (1 886)</u>	<u>\$ (6 036)</u>
CHANGES IN ELEMENTS OF WORKING CAPITAL						
Cash, temporary investments and demand notes from affiliates	\$ 3 320	\$(3 051)	\$ 514	\$ 1 287	\$ 719	\$(7 389)
Receivables	23	(58)	421	326	(122)	275
Inventories	220	188	(162)	(246)	441	182
Prepaid and deferred charges	70	(37)	52	133	(90)	63
Note payable due within one year	-	-	-	-	(1 000)	1 000
Accounts and wages payable	(115)	(132)	73	(365)	(1 253)	432
Accrued liabilities	(97)	182	(334)	(13)	(573)	(112)
Federal income tax payable	131	45	(46)	(8)	(8)	(487)
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ 3 552</u>	<u>\$ (2 863)</u>	<u>\$ 518</u>	<u>\$ 1 114</u>	<u>\$ (1 886)</u>	<u>\$ (6 036)</u>

(See notes to financial statements)

KIRBY LUMBER CORPORATION
NOTES TO FINANCIAL STATEMENTS

(All information relating to the six months ended June 30, 1974 is unaudited. Alphabetical note references refer to notes to Statement of Income and Retained Income on pages 7 and 8.)

Note 1 - Accounting Policies

Inventories are stated at the lower of cost (average or first-in, first-out) or market.

Timber and land are carried at cost which includes expenditures incurred in reforestation activities less timber depletion computed by the unit of production method. All other properties are depreciated on a straight-line basis over their estimated useful lives. Interest on debt which finances the construction of plant facilities is capitalized during the construction period as part of the cost of such facilities.

Provisions for federal income tax recognize the tax effects of all transactions entering into the determination of income for financial reporting purposes irrespective of when such transactions are reported for federal income tax purposes. Accordingly, income is charged for tax currently payable as well as a provision for deferred taxes representing tax reductions resulting from timing differences (consisting principally of additional tax deductions arising from the use of accelerated and guideline depreciation for tax purposes only). Deferred federal income tax reflected on the balance sheet does not represent a liability to the federal government. If timing differences in future years result in an increase in tax currently payable for such years, such increase will not be charged to income but will be charged to deferred federal income tax or, if applicable, will be reimbursed under the tax allocation agreement (see Note a).

Note 2 - Stock Ownership

At both December 31, 1973 and June 30, 1974, approximately 94.9% of the outstanding capital stock of Kirby was owned by Santa Fe Natural Resources, Inc. (a wholly owned subsidiary of Santa Fe Industries, Inc.). On July 31, 1974, Kirby became a wholly owned subsidiary of Santa Fe Natural Resources, Inc., pursuant to the terms of a statutory merger described in "Summary of Merger".

Note 3 - Notes Payable

In 1973 Kirby incurred a note payable (original principal amount of \$3,250,000) in connection with the purchase of property for a new particleboard plant. This note is unsecured and bears interest at 3/4 of 1% above the prime rate. \$1,000,000 was paid on June 8, 1974, and the remaining \$2,250,000 is payable on June 8, 1978.

Under an interim credit agreement with Santa Fe Industries, Inc. (see Note 2 above), Kirby may borrow up to \$15,000,000 to provide interim construction financing for new plywood and particleboard facilities. As of June 30, 1974 \$1,600,000 had been borrowed. It is intended that borrowings under this agreement are to be repaid with the proceeds of a term loan from a non-affiliated lender to be arranged upon completion of construction of the new facilities. Otherwise, the aggregate principal amount is payable on March 15, 1979. Interest is charged at 1/2 of 1% over the prime rate.

Interest on both notes payable is being capitalized during the construction of the related facilities. Such interest capitalized aggregated \$185,000

Note 4 - Commitments and Contingencies

It is estimated that capital expenditures in 1974 will aggregate approximately \$23.1 million.

In 1972 a class action was filed in the United States District Court, Eastern District of Louisiana, on behalf of building supply dealers against substantially all U. S. and Canadian lumber and plywood manufacturers, including Kirby, and various trade associations. In 1973 four additional class actions were filed on behalf of others engaged in the manufacture, sale or use of plywood products against essentially the same lumber and plywood manufacturers. These cases principally involve the allegation that the defendants engaged in certain acts which operated to restrain trade in violation of the antitrust laws, for which treble damages are sought. Protracted litigation seems likely, but in the opinion of management and counsel such litigation will not have a material adverse effect on the financial position or results of operations of Kirby.

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EXHIBIT A

§ 253. Merger of parent corporation and subsidiary or subsidiaries

(a) In any case in which at least 90 percent of the outstanding shares of each class of the stock of a corporation or corporations is owned by another corporation and one of such corporations is a corporation of this State and the other or others are corporations of this State or of any other state or states or of the District of Columbia and the laws of such other state or states or of the District permit a corporation of such jurisdiction to merge with a corporation of another jurisdiction, the corporation having such stock ownership may either merge such other corporation or corporations into itself and assume all of its or their obligations, or merge itself, or itself and one or more of such other corporations, into one of such other corporations by executing, acknowledging and filing, in accordance with section 103 of this title, a certificate of such ownership and merger setting forth a copy of the resolution of its board of directors to so merge and the date of the adoption thereof; provided, however, that in case the parent corporation shall not own all the outstanding stock of all the subsidiary corporations, parties to a merger as aforesaid, the resolution of the board of directors of the parent corporation shall state the terms and conditions of the merger, including the securities, cash, property, or rights to be issued, paid, delivered or granted by the surviving corporation upon surrender of each share of the subsidiary corporation or corporations not owned by the parent corporation. If the parent corporation be not the surviving corporation, the resolution shall include provision for the pro rata issuance of stock of the surviving corporation to the holders of the stock of the parent corporation on surrender of the certificates therefor, and the certificate of ownership and merger shall state that the proposed merger has been approved by a majority of the outstanding stock of the parent corporation entitled to vote thereon at a meeting thereof duly called and held after 20 days' notice of the purpose of the meeting mailed to each such stockholder at his address as it appears on the records of the corporation. A certified copy of the certificate shall be recorded in the office of the Recorder of the County in this State in which the registered office of each constituent corporation which is a corporation of this State is located. If the surviving corporation exists under the laws of the District of Columbia or any state other than this State, the provisions of section 252(d) of this title shall also apply to a merger under this section.

(b) If the surviving corporation is a Delaware corporation, it may change its corporate name by the inclusion of a provision to that effect in the resolution of merger adopted by the directors of the parent corporation and set forth in the certificate of ownership and merger, and upon the effective date of the merger, the name of the corporation shall be so changed.

(c) The provisions of Section 251(d) of this title shall apply to a merger under this section, and the provisions of Section 251(e) shall apply to a merger under this section in which the surviving corporation is the subsidiary corporation and is a corporation of this State. Any merger which effects any changes other than those authorized by this section or made applicable by this subsection shall be accomplished under the provisions of Section 251 or Section 252 of this title. The provisions of Section 262 of this title shall not apply to any merger effected under this section, except as provided in subsection (d) of this section.

(d) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under this section is not owned by the parent corporation immediately prior to the merger, the surviving corporation shall, within 10 days after the effective date of the merger, notify each stockholder of such Delaware corporation that the merger has become effective. The notice shall be sent by certified or registered mail, return receipt requested, addressed to the stockholder at his address as it appears on the records of the corporation. Any such stockholder may, within 20 days after the date of mailing of the notice, demand in writing from the surviving corporation payment of the value of his stock exclusive of any element of value arising from the expectation or accomplishment of the merger. If during a period of 30 days after such period of 20 days the surviving corporation and any such objecting stockholder fail to agree as to the value of such stock, any such stockholder or the corporation may file a petition in the Court of Chancery as provided in subsection (e) of section 262 of this title and thereupon the parties shall have the rights and duties and follow the procedure set forth in subsections (d) to (j) inclusive of section 262.

(e) A merger may be effected under this section although one or more of the corporations parties to the merger is a corporation organized under the laws of a jurisdiction other than one of the United States: provided that the laws of such jurisdiction permit a corporation of such jurisdiction to merge with a corporation of another jurisdiction; and provided further that the surviving or resulting corporation shall be a corporation of this State.

§ 262. Payment for stock or membership of person objecting to merger or consolidation

(a) When used in this section, the word "stockholder" means a holder of record of stock in a stock corporation and also a member of record of a non-stock corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a non-stock corporation.

(b) The corporation surviving or resulting from any merger or consolidation shall within 10 days after the effective date of the merger or consolidation, notify each stockholder of any corporation of this State so merging or consolidating who objected thereto in writing and whose shares either were not entitled to vote or were not voted in favor of the merger or consolidation, and who filed such written objection with the corporation before the taking of the vote on the merger or consolidation, that the merger or consolidation has become effective. Such notice shall likewise be given to each stockholder whose corporation approved the merger or consolidation pursuant to section 228 of this title without a meeting of its stockholders and who either did not, or had no right to, consent in writing to such merger or consolidation. If any such stockholder shall within 20 days after the date of mailing of the notice demand in writing, from the corporation surviving or resulting from the merger or consolidation, payment of the value of his stock, the surviving or resulting corporation shall, within 30 days after the expiration of the period of 20 days, pay to him the value of his stock on the effective date of the merger or consolidation, exclusive of any element of value arising from the expectation or accomplishment of the merger or consolidation.

(c) If during a period of 30 days following the period of 20 days provided for in subsection (b) of this section, the corporation and any such stockholder fail to agree upon the value of such stock, any such stockholder, or the corporation surviving or resulting from the merger or consolidation, may, by petition filed in the Court of Chancery within four months after the expiration of the period of 30 days, demand a determination of the value of the stock of all such stockholders by an appraiser to be appointed by the Court.

(d) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the corporation, which shall within ten days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the corporation. If the petition shall be filed by the corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the corporation and to the stockholders shown upon the list at the addresses therein stated, and notice shall also be given by publishing a notice at least once at least one week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware. The Court may direct such additional publication of notice as it deems advisable. The forms of the notices by mail and by publication shall be approved by the Court.

(e) After the hearing on such petition the Court shall determine the stockholders who have complied with the provisions of this section and become entitled to the valuation of and payment for their shares, and shall appoint an appraiser to determine such value. Such appraiser may examine any of the books and records of the corporation or corporations the stock of which he is charged with the duty of valuing, and he shall make a determination of the value of the shares upon such investigation as to him seems proper. The appraiser shall also afford a reasonable opportunity to the parties interested to submit to him pertinent evidence on the value of the shares. The appraiser, also, shall have such powers and authority as may be conferred upon masters by the rules of the Court of Chancery or by the order of his appointment.

(f) The appraiser shall determine the value of the stock of the stockholders adjudged by the Court of Chancery to be entitled to payment therefor and shall file his report respecting such value in the office of the Register in Chancery and notice of the filing of such report shall be given by the Register in Chancery to the parties in interest. Such report shall be subject to exceptions to be heard before the Court both upon the law and facts. The Court shall by its decree determine the value of the stock of the stockholders entitled to payment therefor and shall direct the payment of such value, together with interest, if any, as herein-after provided, to the stockholders entitled thereto by the surviving or resulting corporation upon the transfer to it of the certificates representing such stock, which decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any other state.

(g) At the time of appointing the appraiser or at any time thereafter the Court may require the stockholders who demanded payment for their shares to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings, and if any stockholder fails to comply with such direction the Court may dismiss the proceedings as to such stockholder.

(h) The cost of any such appraisal, including a reasonable fee to and the reasonable expenses of the appraiser, but exclusive of fees of counsel or of experts retained by any party, may on application of any party in interest be determined by the Court and taxed upon the parties to such appraisal or any of them as appears to be equitable, except that the cost of giving the notice by publication and by registered mail hereinabove provided for shall be paid by the corporation. The Court may, on application of any party in interest, determine the amount of interest, if any, to be paid upon the value of the stock of the stockholders entitled thereto.

(i) Any stockholder who has demanded payment of his stock as herein provided shall not thereafter be entitled to vote such stock for any purpose or be entitled to the payment of dividends or other distribution on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation) unless the appointment of an appraiser shall not be applied for within the time herein provided, or the proceeding be dismissed as to such stockholder, or unless such stockholder shall with the written approval of the corporation deliver to the corporation a written withdrawal of his objections to and an acceptance of the merger or consolidation, in any of which cases the right of such stockholder to payment for his stock shall cease.

(j) The shares of the surviving or resulting corporation into which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

(k) This section shall not apply to the shares of any class or series of a class of stock, which, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders at which the agreement of merger or consolidation is to be acted on, were either (1) listed on a national securities exchange or (2) held of record by more than 2,000 stockholders, unless the certificate of incorporation of the corporation issuing such stock shall otherwise provide; nor shall this section apply to any of the shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation, as provided in subsection (l) of Section 251 of this title. This subsection shall not be applicable to shares of any class or series of a class of stock of a constituent corporation if under the terms of a merger or consolidation pursuant to Section 251 or Section 252 of this title the holders thereof are required to accept for such stock anything except (a) shares of stock or shares of stock and cash in lieu of fractional shares of the corporation surviving or resulting from such merger or consolidation; or (b) shares of stock or shares of stock and cash in lieu of fractional shares of any other corporation, which at the effective date of the merger or consolidation will be either (1) listed on a national securities exchange or (2) held of record by more than 2,000 stockholders; or (c) a combination of shares of stock or shares of stock and cash in lieu of fractional shares as set forth in (a) and (b) of this subsection.

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CERTIFICATE OF OWNERSHIP AND MERGER

FOREST PRODUCTS, INC.

EXHIBIT B

INTO

KIRBY LUMMER CORPORATION

(Pursuant to Section 253 of the General Corporation Law of Delaware)

Forest Products, Inc. a corporation organized and existing under the laws of Delaware (the "Corporation") does hereby certify:

FIRST: That the Corporation was incorporated on the 11th day of July, 1974, pursuant to the General Corporation Law of the State of Delaware.

SECOND: That the Corporation owns 474,675-1/2 shares of the 500,000 outstanding shares of Capital Stock of Kirby Lumber Corporation, a Delaware Corporation, which shares constitute at least 90% of the only class of stock of Kirby Lumber Corporation as to which there are any shares outstanding.

THIRD: That the merger of the Corporation into Kirby Lumber Corporation, pursuant to the provisions of Section 253 of the General Corporation Law of Delaware, has been duly approved by the Board of Directors of the Corporation by adoption on July 30, 1974 of the following resolutions, which have not been amended or rescinded and are now in full force and effect:

RESOLVED:

1. This Corporation be merged with and into Kirby Lumber Corporation, (herein sometimes referred to as the "Surviving Corporation"), pursuant to Section 253 of the General Corporation Law of the State of Delaware, upon the following terms and conditions:

(a) The merger will become effective upon the execution, acknowledgement and filing, in accordance with Section 103 of the General Corporation Law of Delaware, of the Certificate of Ownership and Merger required by the provisions of Section 253 of that Law.

(b) Upon the merger becoming effective, the Surviving Corporation will acquire all

of the assets and assume all of the obligations of this Corporation.

(c) Upon the merger becoming effective, (i) each of the 1,000 shares of Capital Stock of this Corporation outstanding at the time of the merger will be converted, by virtue of the merger and without any action on the part of the holders thereof, into one fully paid and non-assessable share of Capital Stock of the Surviving Corporation; and (ii) each share of Capital Stock of Kirby Lumber Corporation outstanding at the time of the merger will be cancelled and cease to exist, and each such share not owned by this Corporation will, by virtue of the merger and without any action on the part of the owner thereof, represent only a right to receive in exchange therefor, forthwith, the amount of One Hundred Fifty (\$150) Dollars per share in cash, and the holders of such shares shall have no further rights with respect to such shares except the right to receive such amount in cash upon surrender of their certificates for such shares to the Paying Agent designated hereinbelow; and (iii) each share of Capital Stock of Kirby Lumber Corporation issued at the time of the merger and owned by Kirby Lumber Corporation as Treasury shares will be cancelled and cease to exist.

(d) The Certificate of Incorporation and By-Laws of Kirby Lumber Corporation shall at and after the merger becomes effective be the Certificate of Incorporation and By-Laws of the Surviving Corporation, until amended as provided by law.

(e) The identity, existence, purposes, powers, objects, franchises, privileges, rights and immunities of Kirby Lumber Corporation shall continue in effect and unimpaired by the merger, and the corporate franchises, existence and rights of this Corporation shall be merged into Kirby Lumber Corporation, which, as the Surviving Corporation, shall possess all the rights, privileges, powers, immunities, purposes and franchises, both public and private,

of this Corporation and shall be liable for and hereby assumes all of the obligations and liabilities of this Corporation then outstanding.

(f) Upon the merger becoming effective, each holder of shares of Capital Stock of Kirby Lumber Corporation outstanding at the time of the merger, other than this Corporation, shall, upon the surrender to the Harris Trust and Savings Bank ("the Paying Agent") of one or more stock certificates, for Capital Stock of Kirby Lumber Corporation, be entitled to receive One Hundred Fifty (\$150) Dollars per share, in cash, for each share of Kirby Lumber Corporation represented by the stock certificates surrendered. If a certificate is registered in a name other than that of the person surrendering the certificate or if the check is to be drawn other than in the name of the person surrendering the certificate, then, in either case, (i) the certificate must be properly endorsed for transfer or be accompanied by a properly executed stock power, and the signature on the endorsement or the stock power must be guaranteed by a commercial bank or trust company having an office or correspondent in the City of Chicago or by a firm having membership in the New York, Midwest or Pacific Coast Stock Exchanges.

(g) Upon the merger becoming effective, the holder of the certificates representing outstanding shares of Capital Stock of this Corporation may surrender the same to the Surviving Corporation for cancellation and will receive in exchange therefor a certificate or certificates representing the number of shares of the Capital Stock of the Surviving Corporation into which such shares have been converted. Until such surrender and cancellation, each outstanding certificate shall, after the merger becomes effective, be deemed for all purposes to evidence the number of shares of Capital Stock of the Surviving Corporation into which the same shall have been converted by virtue of the merger.

(h) Anything herein or elsewhere to the contrary notwithstanding, this merger may be terminated and abandoned by the Board of

Directors of this Corporation at any time prior to the filing of the Certificate of Ownership and Merger with the Secretary of State of Delaware.

(i) Upon the expiration of a period of six years from the effective date of the merger, any unclaimed money due stockholders of the Surviving Corporation as a result of the merger in the hands of the Surviving Corporation shall become the property of the Surviving Corporation.

2. The proper officers of this Corporation be, and they hereby are, authorized and directed, upon the approval of the merger as set forth in these resolutions by a majority of the holders of the outstanding stock of this Corporation, to make and execute a Certificate of Ownership and Merger as required by Section 253 of the General Corporation Law of Delaware, and to cause the same to be filed with the Secretary of State of Delaware and a certified copy thereof to be recorded in the office of the Recorder of Deeds of New Castle County, Delaware, and to do all acts and things whatsoever, whether within or without the State of Delaware, which may be in anywise necessary or proper to effect the merger; and

3. This Corporation will use its best efforts to cause the Surviving Corporation, within ten days after the filing of the appropriate Certificate of Ownership and Merger, to notify each holder of record of Capital Stock of Kirby Lumber Corporation entitled to such notice that the merger has become effective.

FOURTH: That the aforesaid merger has been approved by written consent, given in accordance with the provisions of Section 228 of the General Corporation Law of Delaware, by the owner of all of the outstanding shares of stock of the Corporation.

IN WITNESS WHEREOF Forest Products, Inc. has caused this Certificate to be signed by T. H. Rodgers, President and attested by D. A. Louden, Assistant Secretary, as of the 31st day of July, 1974.

FOREST PRODUCTS, INC.

By: T H Rodgers
President

ATTEST:

D A Louden
Assistant Secretary

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MORGAN STANLEY & CO.

1251 Avenue of the Americas
New York, N.Y. 10020

EXHIBIT C

June 24, 1974

Mr. John C. Davis
Vice President
Santa Fe Industries, Inc.
224 South Michigan Avenue
Chicago, Illinois 60604

Dear Mr. Davis:

You have asked that we furnish an opinion as to the present fair market value of a share of capital stock of Kirby Lumber Corporation ("Kirby" or the "Company"), a subsidiary of Santa Fe Natural Resources, Inc. We understand that 25,324.5 shares or approximately 5.1% of the Company's outstanding capital stock constitutes the minority interest.

In connection with our study of the Company for purposes of making our valuation, we have toured the Company's facilities and have had discussions with management regarding the Company's business. We have been furnished with and have reviewed the Company's audited financial statements for the five years ended December 31, 1973, and the unaudited financial statements for the four-month period ending April 30, 1974. We have reviewed the Company's five-year forecast for the years 1974-1978 and have discussed it and the general future outlook for the Company with its management. Also, we have reviewed the written appraisals of the Company's properties and mineral rights which were separately performed by Appraisal Associates and Riggs and Associates.

We have studied the Company's financial position and its operating history and have made comparisons of such information with the financial position and operating histories of other companies in the forest products industry, the securities of which are publicly held and actively traded.

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MORGAN STANLEY & CO.

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We have, in addition, considered such other matters and made such other studies as we considered necessary or pertinent.

Based on our studies as outlined above, and on the assumptions that (i) the shares of Kirby were broadly distributed and freely traded such that willing buyers and willing sellers could readily effect transactions and (ii) the shares were split so that they would trade within the range of prices typical for many publicly-held companies, we are of the opinion that, under current market conditions, the price at which Kirby stock would trade would be the equivalent of \$125 a share.

Very truly yours,

Morgan Stanley & Co.

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APPRAISAL
ASSOCIATES

1016 Baltimore
Kansas City,
Missouri 64105

(G)

EXHIBIT D

TELEPHONE 842 8947
TELEPHONE 842 9680

February 19, 1974

Mr. W. J. Swartz
Assistant Vice President
Santa Fe Industries, Inc.
224 South Michigan Avenue
Chicago, Illinois 60604

Re: Kirby Lumber Corporation
Register No. 5140

Dear Mr. Swartz:

I enclose herewith my appraisal of the land, exclusive of minerals and the timber, buildings and machinery belonging to the Kirby Lumber Corporation as of December 31, 1973. In the making of this appraisal I have been assisted by Mr. Ross Ellis, M.A.I., in the valuation of the Realty Land and the Forest Land. I have also consulted with him in connection with the contribution of the timber and in the securing of and the analysis of the indices.

Mr. Thomas J. Newman, R. F., Vice President and Mr. Joe E. Rigsby, Forester, Farm Appraiser of the staff of Resource Management Service, Incorporated, have assisted the appraiser in estimating the contribution of the timber in the Kirby Forest. Mr. Joe E. Rigsby assisted by securing, describing and confirming sales of forest land, including timber. Mr. Newman and his staff supplied the appraiser with the quantities of timber in the Kirby Forest. The stumpage values indicated by the analysis of sales of timber companies, including forests, was discussed at length with Mr. Newman. He also materially assisted in converting costs and quantities into the board foot measure relied upon.

Mr. J. K. Moorehouse of the American Real Estate Corporation in Beaumont, Texas assisted the appraiser by searching the Deed records in the various counties for sales of land and platted a number of sales of large tracts. Mr. Ed Terry, M.A.I., the head of the American Real Estate Corporation, also discussed some sales of land including timber, with the appraiser.

After a careful inspection of the land exclusive of minerals and the timber, buildings and machinery belonging to the Kirby Lumber Corporation on November 27, 28, 29 and 30, December 11, 12, 13, 1973 and in February of 1974, it is the considered judgment of the appraiser that its Market Value as of December 31, 1973, was \$320,000,000.00.

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Mr. W. J. Swartz
February 19, 1974

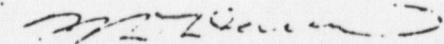
The appraiser takes no responsibility for matters which are legal in nature. No responsibility is taken for surveys or data furnished the appraiser by others. The subject property has been appraised as though it were free and clear of all indebtedness and title were vested in the owners as stated. No consideration has been given to minerals, if any. The appraiser has no interest in this or any other property which would influence the values found or the conclusions reached. The value indicated in this report bears no relation to the fee charged.

This appraisal has been made for the exclusive use of Santa Fe Industries in connection with the acquisition of the minority stock interest in the Kirby Lumber Corporation. Its use by other persons or for other purposes is strictly prohibited. The use of part of this report without the consideration of the whole is strictly prohibited and this report, when used in this manner, is null and void and of no effect.

Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of the author, particularly as to valuation conclusions, the identity of the appraiser or firm with which he is connected, or any reference to the American Institute of Real Estate Appraisers or to the M.A.I. designation.

I, the undersigned, do certify that I have personally inspected the property described herein; that I have no past, present or prospective, direct or indirect interest in the said property and my employment in the appraisal is not in any manner contingent upon returning appraisal findings in any specified or implied amount otherwise contingent upon anything other than the delivery of this report. To the best of my knowledge and belief, all of the statements and opinions contained in this report are correct, subject to the limiting conditions herein set forth; also, that this appraisal has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the American Institute of Real Estate Appraisers of the National Association of Real Estate Boards.

Respectfully submitted,



W. D. Davis, M.A.I.,
S.R.E.A., A.R.A., S.R.A.,
A.A.C.I., A.S.A., C.R.E.

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EXHIBIT E

RIGGS AND ASSOCIATES

Petroleum Reservoir Consultants

2001 BRYAN TOWER, SUITE 3515

DALLAS, TEXAS 75201

214/741-5971

March 29, 1974

Mr. John C. Davis, Vice President
Santa Fe Industries, Inc.
224 South Michigan Avenue
Chicago, Illinois 60604

Dear Mr. Davis:

By your authorization appraisal has been made of the producing oil and gas royalty interests of Kirby Lumber Corporation ("Kirby") and of their mineral ownership in non-producing properties in Texas and Louisiana. Effective date of the appraisal is January 1, 1974.

Summary

Based upon the appraisal as reported herein, the market value of the proved producing oil and gas reserves and non-producing mineral interests owned by Kirby as of January 1, 1974 is estimated to be:

	<u>Market Value</u>
Producing Oil and Gas Reserves	\$1,856,000
Non-Producing Mineral Interests	<u>6,368,000</u>
TOTAL	\$8,224,000

Discussion of these values follows.

Producing Oil and Gas Reserves

Forecasts of future gross and net oil and gas production, revenue, expenses, and net revenue have been made for each of the producing royalty interests owned by Kirby as of January 1, 1974. (Working interests, which are minor, are also included.) Individual lease totals are presented in Table 1. An annual cash flow forecast summarized for all properties is presented in Table 2.

The oil and gas prices used in the revenue forecast are those currently in effect for each property; no provision has been made for price escalation. Where applicable, operating expenses and ad valorem taxes are

based upon actual costs. Deductions have not been made from net revenue for Federal income taxes or for general overhead expenses on the part of Kirby.

Based upon examination of the cash flow stream (Table 2), it is our opinion that the reasonable market value of these properties is \$1,856,000. This represents a rate of return to an investor of 14 percent before Federal income taxes and would be recovered at 8 percent interest in slightly less than 5 years. Because of the rapidly diminishing nature of the cash flow stream, possible future price increases would have only a minimal effect on the cash flow and market value.

Non-producing Mineral Interests

Kirby's mineral interests are located in 19 counties and parishes of Texas and Louisiana as illustrated by the enclosed map and Table 3. Most of the mineral acreage is located in the Upper Gulf Coast geological province of Southeast Texas and Western Louisiana.

The market value of the non-producing mineral interests has been estimated on a tract-by-tract basis. Consideration was given to the proximity of each tract to recent leasing activity, recent exploratory drilling, and current producing fields. As a further aid in establishing these values, economic models were constructed of hypothetical situations of leasing, drilling, and producing-to-depletion over a representative selection of prospects in the Upper Gulf Coast geological province. The results of this tract-by-tract evaluation are summarized, by counties, in Table 3 and total to a value of \$6,368,000. Expressed on a unit basis, this represents a value of \$20.27 per net mineral acre.

Additional verification of market value can be obtained from examination of the historical revenues derived by Kirby from lease bonuses and rentals for non-producing leases. Bonus and rental income to Kirby for the past ten years has been:

<u>Year</u>	<u>Bonuses and Rentals</u>
1964	\$272,000
1965	383,000
1966	254,000
1967	221,000
1968	358,000
1969	729,000
1970	342,000
1971	413,000
1972	500,000
1973	831,000

If it were considered that the past 5 years of revenue from lease bonuses and rentals reasonably could be projected into the future, the value of this future cash flow through a 25-year period, discounted at an approximate future money cost of 8 percent, would accumulate to \$6,246,000. In our opinion, this provides an external verification of the tract-by-tract values which are summarized in Table 3, and total to \$6,368,000.

It should be recognized that a market evaluation of around 1400 separate tracts can be considered valid only in the aggregate. If these mineral interests were offered for sale on a competitive basis, the values received for individual tracts would, no doubt, vary from the individual values estimated herein, both higher and lower, dependent on the opinions of individual tract bidders. In the aggregate, however, these values are considered to be a reasonable expression of present market value of all mineral interests if they were to be offered for sale under an unrestricted bidding arrangement.

Source of Data

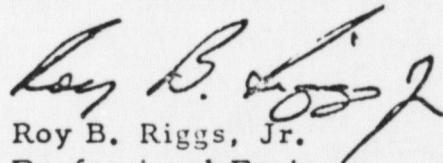
All information pertaining to the character of ownership in the producing oil and gas properties and in the non-producing mineral interests and all basic geological and engineering data have been accepted as represented by Kirby. In addition, we have relied on certain records in our files and in public records. Independent well tests were not considered to be necessary in connection with the appraisal of the producing properties because of the extent of corroborating data available. The management and staff of Kirby Lumber Corporation cooperated fully in the collection of data and in discussing factual situations which had a bearing on the appraisal.

All oil reserves are expressed in United States barrels of 42 gallons and all gas reserves are expressed in thousand standard cubic feet at contractual pressure and temperature bases.

Supporting work papers pertinent to the appraisal and market value opinions expressed herein are retained in our files and are available to you or to other designated parties at your convenience.

Respectfully submitted,

RIGGS AND ASSOCIATES


Roy B. Riggs, Jr.
Professional Engineer

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Table 1
 ECONOMIC ANALYSIS OF FUTURE PERFORMANCE
 Proved Producing Oil and Gas Reserves
 Royalty Interests of Kirby Lumber Corporation (1)
 January 1, 1974
 SUMMARY

Year	Net Oil Production, Barrels	Net Gas Production, Mcf	Revenue, \$	Expenses (Excluding Depreciation) Plus Ad Valorem Taxes, \$	Net Revenue (Excluding F.I.T.), \$	Cumulative Net Revenue, \$	Cumulative Net Revenue at 8% Per Year, \$
1974	80,563	636,036	611,660	3,847	607,813	607,813	584,867
1975	69,445	583,568	554,143	3,510	550,633	1,158,446	1,075,464
1976	54,780	500,774	447,917	3,449	444,468	1,602,914	1,442,136
1977	42,541	426,751	357,635	3,154	354,481	1,957,395	1,712,914
1978	32,875	300,164	258,740	1,755	256,985	2,214,380	1,894,673
1979	23,677	188,090	169,893	1,006	168,887	2,383,267	2,005,274
1980	15,177	54,167	82,470	454	82,016	2,465,283	2,055,006
1981	9,803	42,177	55,966	398	55,568	2,520,851	2,086,207
1982	3,834	8,035	19,200	115	19,085	2,539,936	2,096,127
1983	883	-	3,719	-	3,719	2,543,655	2,097,917
1984	817	-	3,438	-	3,438	2,547,093	2,099,449
1985	750	-	3,157	-	3,157	2,550,250	2,100,752
1986	692	-	2,912	-	2,912	2,553,162	2,101,865
1987	633	-	2,666	-	2,666	2,555,828	2,102,808
1988	108	-	456	-	456	2,556,284	2,102,957
Total	116,578	2,734,762	2,573,972	17,688	2,556,284		
						14% Discount	1,856,496
						20% Discount	1,663,242
						40% Discount	1,245,155

(1) Includes minor working interests.

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Table 2
SUMMARY OF NET RESERVES AND ECONOMIC VALUES
Proved Producing Oil and Gas Reserves
ROYALTY INTERESTS OF KIRBY LUMBER CORPORATION (1)
January 1, 1974

State, Kirby Lease No., Field, Parish/County, Lease	Net Oil Production, Barrels	Net Gas Production, Mcf	Revenue, \$	Expenses (Excluding Depreciation) Plus Ad Valorem Taxes, \$	Net Revenue (Excluding F.I.T.), \$	Cumulative Discounted Net Revenue @ 8% Per Year, \$	Future Life, Years	Operator
LOUISIANA								
Kirby Lease No. 76 Bauhall, North Field (Beauregard Parish) Sabine A-2 Sand Lease	14,970	149	65,140	-	65,140	52,187	8.9	Atlantic Richfield Company
TEXAS								
Kirby Lease No. 47 Cleveland Field (Liberty County) Kirby Lumber Corp 'C' Lease	22,974	11,484	103,030	-	103,030	88,033	5.8	Gulf Oil Corporation
Cleveland (Cockfield 'A', East Segment) Field (Liberty County) Kirby Lumber Corp 'C' Lease	7,303	31,566	43,088	-	43,088	37,133	4.8	Gulf Oil Corporation
Cleveland (5800 Yegua) Field (Liberty County) Kirby Lumber Corp 'C' Lease, Well 1n-U Kirby Lumber Corp 'C' Lease, Well 32-U	3,932	559,462	223,914	-	223,914	185,793	6.0	Gulf Oil Corporation
-	-	45,604	16,874	-	16,874	15,827	2.0	Gulf Oil Corporation
Total Cleveland (5800 Yegua) Field	3,932	605,066	240,788	-	240,788	201,620		
Cleveland (9000 Wilcox Fm) (Liberty County) Kirby Lumber Corp 'C' Lease, Well 21	-	101,004	37,373	-	37,373	31,484	6.0	Gulf Oil Corporation
Total Kirby Lease No. 47	34,209	749,120	424,279	-	424,279	358,270		
Kirby Lease No. 52 Sugio (Deep) Field (Polk County) Kirby Lumber Corp 'B' Lease	2,573	-	10,987	-	10,987	9,011	6.0	Buddy Brown
Kirby Lease No. 53 Schwab (Wilcox) Field (Polk County) Kirby West Lumber Co., Lease Kirby West Lumber Co., Lease Kirby West Lumber Co., 'C' Lease	578	-	2,412	-	2,412	2,284	1.6	Patrick & Richie Shell Oil Company
-	16,249	-	68,411	-	68,411	45,971	14.2	
-	3,056	-	12,862	-	12,862	10,161	6.8	Paul Towell
Total Kirby Lease No. 53	19,881	-	81,705	-	81,705	58,612		
Kirby Lease No. 80 and 81 Noma Mills Field (Hardin County) Noma Mills Unit (1)	7,794	345,427	913,351	3,162	910,189	90,883	6.0	General Crude Oil Company
Kirby Lease No. 85-4 Hillcrest, East Field (Tyler County) Kirby Lumber Corp Tract 87-A	30,894	12,350	131,671	-	131,671	107,851	6.5	General American Oil Co. of Texas
Hillcrest, East (Cockfield Field) Field (Tyler County) Kirby Lumber Corp Tract 87-A	10,533	12,225	510,132	-	510,132	301,726	8.5	General American Oil Co. of Texas
Total Kirby Lease No. 85-4	61,427	24,575	261,803	-	261,803	209,577		
Kirby Lease No. 85-10 Ferry, Southeast (Wilcox 8500) Field (Hardin County) Kirby Lumber Corp Tract 10-A	3,067	122,650	61,970	-	61,970	54,952	6.0	Shell Oil Company
Kirby Lease No. 85-11 Sulphur, North (Yegua 21) Field (Hardin County) Kirby Lumber Corp Tract 12n-A	4,144	-	18,066	-	18,066	16,049	3.4	Petroleum Corporation of Texas
Kirby Lease No. 86 Panrott, North (Wilcox) Field (Newton County) Kirby Lumber Corp 'D' Lease	12,131	-	52,770	-	52,770	41,299	8.5	Atlantic Richfield Company
Kirby Lease No. 131 Fisher (Wilcox) Field (Tyler County) Kirby (8117 Hardin) Lease	2,614	-	22,346	-	22,346	19,786	4.0	Finkelstein, Jack, Trust
Kirby Lease No. 144 Village Mills, North (Wilcox) Field (Hardin County) Kirby Lumber Corp Lease	14,000	-	60,901	-	60,901	53,228	4.9	Houston Oil & Minerals
Village Mills, North (750) Field (Hardin County) Kirby Lumber Corp Lease	15,750	-	68,513	-	68,513	56,719	4.7	Houston Oil & Minerals
Total Kirby Lease No. 144	29,750	-	129,414	-	129,414	109,947		
Kirby Lease No. 188 Sugio, South (Wilcox) Field (Polk County) Kirby Lumber Corp Lease	2,217	1,581	6,776	-	6,776	5,732	1.5	Monolithic Company

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Table 2 - Continued

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State, Kirby Lease No., Field, Parish/County, Lessee	Net Oil Production, Barrels	Net Gas Production, Mcf	Revenue, \$	Expenses (Excluding Depreciation) Plus Ad Valorem Taxes, \$	Net Revenue (Excluding F.I.T.), \$	Cumulative Discounted Net Revenue @ 6% Per Year, \$	Future Life, Years	Operator
TEXAS (Continued)								
<u>Kirby Lease No. 223</u> Baton, New Field (Hardin County) Kirby Lumber Corp Lease	12,780	-	52,523	-	52,523	41,145	7.8	Amoco Production Company
<u>Kirby Lease No. 234</u>								
Schubel (Wilcox) Field (Polk County) Kirby Lumber Corp Lease	9,438	-	39,733	-	39,733	31,630	7.1	Shell Oil Company
<u>Kirby Lease No. 245</u> Gulf, West (6700) Field (Jasper County) Kirby Lumber Corp Lease	614	53,888	15,536	-	15,536	13,413	6.0	La Coastal Petroleum
<u>Kirby Lease No. 246</u>								
Ace, North (4750) Field (Polk County) Kirby Lumber Corp Tract 7	16,283	5,683	68,585	-	68,585	57,271	8.0	Finch-Crestmont
<u>Ace, North (4830) Field (Polk County)</u> Kirby Lumber Corp Tract 11	-	4,437	789	-	789	759	1.0	Crestmont Oil & Gas Company
<u>Total Kirby Lease No. 269</u>	16,283	10,115	69,374	-	69,374	58,030		
<u>Kirby Lease No. 291</u> Blackwood (Wilson 'A') Field (Newton County) Kirby-ARCO Lease	13,809	-	58,683	-	58,683	46,890	8.6	White Shield Oil & Gas Corp.
<u>Kirby Lease No. 300</u> Siloam, North (Yegua 4-C) Field (Hardin County) Kirby Lumber Corp Lease	6,647	109,600	52,415	-	52,415	45,027	5.0	Coline Oil Corporation
<u>Kirby Lease No. 308</u> Clay (West) (Kirby) Field (Newton County) Kirby Lumber Corp Lease	25,550	517,500	275,650	-	275,650	212,106	8.2	Neil F. Hanson
<u>Kirby Lease No. 318</u> Yonkers, West Field (Hardin County) Kirby Lumber Corp Lease, Well 1 Kirby Lumber Corp Lease, Well 2	16,000	4,010	93,187	6,897	88,490	68,905	8.8	North American Royalties, Inc. North American Royalties, Inc.
<u>Total Kirby Lease No. 318</u>	16,000	441,755	272,105	14,526	257,979	213,254		
<u>Kirby Lease No. 325</u> Segno, South (Yegua 5-C) Field (Hardin County) ARCO-Kirby Gas Unit 1	258	25,652	12,537	-	12,537	10,661	6.0	Bock & Bacon
<u>Kirby Lease No. 327</u> Undesignated Field (Hardin County) Kirby-Vickers Lease, Well 1	40,600	317,750	471,411	-	471,411	401,512	5.5	Bock & Bacon and McCormick
GRAND TOTAL	336,378	2,739,762	2,573,972	17,688	2,556,284	2,102,957		

Footnotes:
1) Includes minor working interests.

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Table 3

MINERAL OWNERSHIP AND MARKET VALUE ESTIMATE

Kirby Lumber Corporation

Louisiana and Texas

January 1, 1974

<u>State, Parish/County</u>	<u>Net Minerals, Acres (1)</u>	<u>Estimated Market Value of Minerals at January 1, 1974 (2)</u>	
		<u>Per Acre</u>	<u>Total</u>
<u>LOUISIANA</u>			
Beauregard	11,137	\$24.43	\$ 272,037
Vernon	26,797	24.26	650,189
<u>TEXAS</u>			
Angelina	2,458	20.00	49,160
Brazoria	360	45.90	16,524
Cameron	220	10.00	2,200
Hardin	73,668	20.27	1,493,201
Jasper	41,536	14.52	603,025
Jefferson	760	20.00	15,200
Liberty	34,636	17.27	598,234
Montgomery	11	12.00	132
Nacogdoches	9	12.00	108
Newton	39,061	13.24	517,042
Polk	19,280	31.53	607,866
Sabine	5,288	16.40	86,710
San Augustine	10,054	17.76	178,515
San Jacinto	1,249	25.00	31,225
Shelby	557	12.00	6,684
Tyler	46,907	26.39	1,237,958
Wi'lacy	200	12.00	2,400
TOTAL	314,188	\$20.27	\$6,368,410

Footnotes:

- (1) Includes Kirby Lumber Corporation's net mineral ownership in fee lands, surface lands with partial mineral ownership, mineral ownership with no surface rights, royalty ownership in surface lands, and royalty ownership under lands owned by others.
- (2) Includes leased minerals currently producing, leased minerals not currently producing, and unleased minerals.

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A map of the mineral ownership of Kirby Lumber Corporation in southeast Texas and western Louisiana, attached to the preceding letter dated March 29, 1974, is not reproduced in this Exhibit E. A copy of the map is available for inspection by stockholders of Kirby Lumber Corporation at the offices of Santa Fe Natural Resources, Inc. at the following address:

Suite 1426
224 South Michigan Avenue
Chicago, Illinois 60604
(312) 427-2232

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

7/21
-----x

S. WILLIAM GREEN, EVELYN GREEN and :
CYNTHIA COLIN, as Executors of the :
Estate of LOUIS A. CRIAN, deceased, :
and EVELYN GREEN, individually, and :
as stockholders of KIRBY LUMBER :
CORPORATION, suing on behalf of :
themselves and for the benefit of :
said corporation and for the class :
of all other stockholders of said :
corporation similarly situated, :
: 74 Civil Action
: No. 3915 (CLB)

Plaintiffs, :
: -against- :
SANTA FE INDUSTRIES, INC., SANTA :
FE NATURAL RESOURCES, INC., KIRBY :
LUMBER CORPORATION, and MORGAN, :
STANLEY & CO., :
Defendants. :
-----x

AMENDED COMPLAINT

For Equitable Relief, Damages,
and Other Relief under Federal
and State Law.

1. This is a civil action - derivative, class,
and individual - for equitable and other relief. As to all
defendants, this Court has federal question jurisdiction under
the Securities Exchange Act of 1934 and pendent jurisdiction
over the State claim for breach of fiduciary obligation; and
except for Morgan Stanley & Co., diversity jurisdiction over
said state claims.

2. Plaintiffs were shareholders of Kirby Lumber
Corporation, a Delaware corporation ("Kirby") at the time of
the transaction herein complained of and have continuously
been and are now stockholders thereof; this action is not a
collusive one to confer jurisdiction on a court of the United
States which it would not otherwise have and plaintiffs fairly

and adequately represent the interests of the shareholders similarly situated in ~~enforcing~~ ^{73A} the rights of Kirby. Each plaintiff is a citizen of New York State and as to each plaintiff the matter in controversy exceeds, exclusive of interest and costs, the sum of ten thousand dollars.

3. The class of stockholders of Kirby is so numerous that joinder of all is impracticable; the action presents questions of law and fact common to the class; the claims of plaintiffs herein are typical of the claims of the class; plaintiffs will fairly and adequately protect the interests of the class. This action falls within the Federal Rules of Civil Procedure, Rule 23(b)(1)(A) and (B) and (2) and (3).

4. Santa Fe Industries, Inc. ("Santa Fe") owns all the capital stock of Santa Fe Natural Resources, Inc. ("Resources") which owns approximately 95% of the capital stock of Kirby. Kirby, Santa Fe and Resources, are each a corporation incorporated under the laws of the State of Delaware and each of them has its principal place of business in a State other than New York State.

5. On July 31, 1974, without prior notice to plaintiffs or the other public stockholders of Kirby, Forest Products, Inc. ("FPI") was merged into Kirby with Kirby surviving the merger. The purpose of the merger was to cause Kirby to become a wholly-owned subsidiary of Resources thereby freezing out the minority stockholders at a wholly inadequate price. In order to utilize the provisions of Section 253 of the General Corporation Law of the State of Delaware ("Delaware Corporation Law"), as described below, Resources caused FPI to be incorporated in Delaware on July 11, 1974. On July 29, 1974, FPI became the parent corporation of Kirby owning approximately 95% of the issued and outstanding Capital Stock of Kirby. On that date,

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III issued to Resources 1,000 shares of FPI Capital Stock in exchange for (i) 474,675 1/2 shares of Kirby Capital Stock, and (ii) cash in the amount of \$3,798,675 and (iii) the assumption of any other expenditures of FPI or Kirby arising out of or resulting from the merger of FPI into Kirby. On July 30, 1974, the board of directors of FPI (which consisted of the same persons who are members of the board of directors of Resources) adopted a resolution of merger pursuant to Section 253 of the Delaware Corporation Law, providing that FPI would be merged into Kirby with Kirby surviving and that each share of Kirby stock not owned by FPI would represent only (i) a right to receive the amount of \$150 per share in cash in exchange therefor, or (ii) a right to seek such appraisal for such stock as is available under Delaware law. Holders of shares of Kirby stock other than FPI, to wit, holders of 25,324 1/2 shares, are entitled thereunder to receive the \$150 per share payment in cash upon surrender of their certificates for such shares to the Kirby Paying Agent. Resources as sole stockholder of FPI approved the merger on July 30, 1974; no meeting of Kirby stockholders was required in connection with the FPI-Kirby merger. The merger became effective on July 31, 1974 when the Certificate of Ownership and Merger was filed with the Secretary of State of the State of Delaware. On August , 1974, the minority stockholders of Kirby were advised, inter alia, that the merger freezing them out as stockholders had taken place the previous day and that they would be paid \$150 per share.

6. Section 253 of the Delaware Corporation Law permits a parent corporation owning at least 90% of the capital stock of a subsidiary to cause a merger of the parent corporation into the subsidiary by the adoption of a resolution of merger by the parent's board of directors. Approval by the stockholders

or the board of the subsidiary corporation is not required.

However, approval by the stockholder of the parent corporation is necessary. Section 253 permits, in a merger pursuant to its provisions, the outstanding stock of the subsidiary other than the stock held by the parent to be exchanged for securities, cash, property or rights, other than stock in the surviving corporation. Thus, under a merger pursuant to Section 253, a parent corporation (FPI) owning at least 90% of the stock of a subsidiary (Kirby) may cause the subsidiary (Kirby) to become a wholly owned subsidiary of the stockholder (Resources) of the parent (FPI) by providing in the resolution of merger that stockholders other than the parent shall receive cash in exchange for their shares.

7. The said value of \$150 per share was based primarily on Kirby's book value, whereas based on fair market values of its physical assets, the pro rata share thereof at the date of the merger was at least \$772 per share. The difference of \$311,000,000 (\$622 per share) between the fair market value of Kirby's land and timber, alone, as per the defendants' own appraisal thereof at \$320,000,000 and the \$9,000,000 book value of said land and timber, added to the \$150 per share, yields a pro rata share of the value of the physical assets of Kirby of at least \$772 per share. The value of the stock was at least the pro rata value of the physical assets.

8. In addition, the majority stockholder has arranged the transaction as tax free to itself while imposing a capital gains tax on the minority stockholders.

9. The purpose of creating FPI was to effect a statutory merger with Kirby under the color of the Delaware law, all for the purpose of getting rid of the minority interest in

Kirby, but at the same time keeping Kirby in existence, and thereby to appropriate at least \$622 per share from the minority shareholders by only paying them \$150 per share even though the conceded pro rata value of the physical assets of Kirby was at least \$772 per share, which on the plaintiffs' 143 shares amounted to an appropriation of \$88,946, and on the entire class of 25,324 1/2 minority shares outstanding amounted to an appropriation of \$15,751,839. With knowledge of the above values, the defendants as part of the scheme obtained and submitted a fraudulent appraisal from defendant Morgan Stanley & Co., a co-partnership, valuing each share of stock of Kirby at \$125 per share and in order to lull the minority stockholders into erroneously believing that defendants were generous, fixed a value \$25 higher than the Morgan Stanley & Co. appraisal, to wit, \$150 per share. The above transaction implemented by the use of means or instrumentalities of interstate commerce including U.S. mail and telephone and without prior disclosure to the stockholders who were thus frozen out constituted a violation of Rule 10b-5 because defendants employed a "device, scheme, or artifice to defraud" and engaged in an "act, practice or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security." Defendants also thereby breached their fiduciary obligation owed to Kirby and its minority stockholders. The corporate defendants participated in said breaches as principals. Morgan, Stanley & Co. is liable (but only in so far as federal question and pendent jurisdiction are asserted) as an accessory in that it knowingly assisted and facilitated such fraud by submitting an appraisal of the stock at \$125 per share even though said defendant knew the pro rata value of the physical assets of Kirby was at least \$772 per share.

10. Plaintiffs have by notice mailed September 9, 1974 to Kirby, its directors, and controlling stockholder, and theretofore, objected to the said merger and its terms and demanded that the merger be rescinded or, failing that, that all the minority stockholders of Kirby be offered at least \$772 per share plus a reasonable amount to compensate for the capital gains tax.

11. Santa Fe and Resources have at all material times owned 95% of the stock of Kirby and controlled and dominated its board of directors and dictated the terms of the wrongful merger. Demand on the board of directors and stockholders of Kirby for relief is therefore futile.

12. Plaintiffs have no adequate remedy at law.

WHEREFORE, plaintiffs pray for an order that their action in so far as brought as a class action may be maintained as such and demand judgment:

(a) That the merger aforesaid be set aside;
or

(b) That the terms of the aforesaid merger be reformed so that they are just, fair and equitable; and

(c) That the Court give such other, further, and different relief as may be just, including damages, together with interest, costs, disbursements and a reasonable fee for plaintiffs' attorneys.

LEVENTRITT LEWITTES & BENDER

By

Sidney Bender
Sidney Bender
a member of the firm

Attorneys for the Plaintiffs
405 Lexington Avenue
New York, N.Y. 10017

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STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

S. WILLIAM GREEN, being duly sworn, deposes and says:

I am one of the plaintiffs united in interest and pleading together herein. I am familiar with all of the relevant facts herein. I have read the annexed amended complaint and know it to be true of my own knowledge, except as to matters therein stated to be alleged on information and belief, and as to those matters I believe it to be true.

S. William Green

S. William Green

Sworn to before me this
1 day of November, 1974.

notary public

NOTARY PUBLIC - 1974
SUFFOLK COUNTY, N.Y.
Commission Expires March 30, 1975

NOTARY PUBLIC - 1974
SUFFOLK COUNTY, N.Y.
Commission Expires March 30, 1975

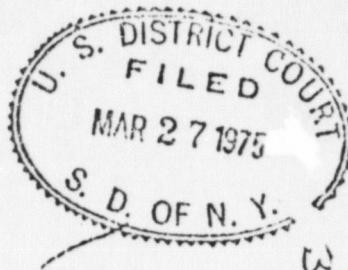
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ORIGINAL

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
S. WILLIAM GREEN, EVELYN GREEN and
CYNTHIA COLIN, as Executors of the :
Estate of LOUIS A. GREEN, deceased,
and EVELYN GREEN, individually, and:
as stockholders of KIRBY LUMBER
CORPORATION, suing on behalf of :
themselves and for the benefit of
said corporation and for the class :
of all other stockholders of said
corporation similarly situated, :

74 Civ. 3915-CLB



Plaintiffs, :

MEMORANDUM AND ORDER

-against- :

SANTA FE INDUSTRIES, INC., SANTA :
FE NATURAL RESOURCES, INC., KIRBY :
LUMBER CORPORATION and MORGAN, :
STANLEY & CO :

Defendants.

Brieant, J.

Plaintiffs seek to maintain this purported class action
on behalf of all of the former shareholders of Kirby Lumber
Corporation ("Kirby"), a Delaware corporation, who were offered
or received cash for their shares when Kirby and Forest Products,
Inc. ("FPI") were merged. Plaintiffs also sue derivatively to
enforce the rights of Kirby as it existed prior to the merger
(hereinafter "Old Kirby").

100-1514-128

4/28/75

Jurisdiction is premised on §27 of the Securities Exchange Act of 1934, 15 U.S.C. §78aa; this Court's jurisdiction depends, therefore, upon the existence of a cognizable claim under Rule 10b-5. Plaintiffs also assert that this Court has pendent jurisdiction over related claims of the defendants' breach of their fiduciary duties. The complaint asserts jurisdiction by reason of diversity of citizenship, but complete diversity does not exist, as is conceded in ¶1 of the first amended complaint.

Defendants moved for an order pursuant to Rules 12(b)(1), and (6), F.R.Civ.P., dismissing the amended complaint for lack of subject matter jurisdiction and for failure to state a claim upon which relief can be granted. Alternatively, defendants seek dismissal of the amended complaint for failure to satisfy Rule 9(b), F.R.Civ.P., because it does not state the circumstances constituting the claimed fraud with sufficient particularity.

The amended complaint shows that defendant Santa Fe Industries, Inc. owns all of the capital stock of Santa Fe Natural Resources, Inc., which, in turn, owned approximately

95% of the voting shares of Old Kirby. On July 11, 1974, Santa Fe Resources caused FPI to incorporate in Delaware. On July 29, 1974, FPI issued 1,000 shares [all] of its stock to Santa Fe Resources and received in return 474,675 1/2 shares of Kirby which constituted approximately 95% of Kirby's shares, and all of those shares then owned by Santa Fe Resources. FPI also received \$3,798,675.00 in cash and assumed expenses arising as a result of the contemplated merger of FPI and Kirby to form New Kirby. On July 30, 1974, the board of directors of FPI, the same persons who comprised the board of directors of Santa Fe Resources, adopted a resolution, pursuant to §253 of the Delaware Corporation Law, that state's short-form merger statute, providing that FPI be merged into Kirby with Kirby surviving the merger. Shareholders of Old Kirby, other than FPI, would become entitled to \$150.00 in cash per Kirby share held, and would cease being shareholders of Kirby effective immediately. On the next day the customary Certificate of Ownership and Merger was filed with the Secretary of State of the State of Delaware, and the merger became effective, thereby extinguishing, or "freezing out" the minority shareholders of Kirby.

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On August 1, 1974, New Kirby mailed to each former minority shareholder a notice of merger and an information statement consisting of 33 pages and supplementary exhibits. The information statement contained the terms of the plan of merger, a statement of Kirby's income, appraisals of the value of Kirby's stock and its assets, and a history of the prior dealings between Kirby and Santa Fe Industries and its affiliates. Exhibit C attached to the information statement is a copy of a letter from defendant Morgan, Stanley & Co. in which Morgan, Stanley, after consideration of Kirby's audited financial statements for the five years ending December 31, 1973, its unaudited financial statements for the four month period ending April 30, 1974, its five-year forecast for 1974-78, and appraisals of Kirby's properties and mineral rights, placed a value on the minority shareholders' stock at \$125.00 a share, adjusting for the assumption that Kirby's shares were broadly distributed and freely traded at prices within the range of prices typical of similar publicly held companies. The information statement also advised the minority shareholders that they could elect not to accept the terms of the offer, and instead seek a judicial appraisal in Delaware of the value of their shares. The information statement clearly described the time limitations within

which the dissenting shareholders were to note their objection, and the time within which the appraisal action was to be commenced; it also included the text of the Delaware appraisal statute, Del. Gen. Corp. Law, §262.

In their complaint, plaintiffs allege that the merger, its statutory means of effectuation and the cash exchange offered, constituted a "device, scheme or artifice to defraud" in violation of Rule 10b-5. Plaintiffs contend that, with knowledge that the \$150.00 a share offer understated the value of the physical assets of Kirby and therefore did not represent the true value of Kirby shares, Kirby and the Santa Fe affiliates obtained and submitted to the minority shareholders the \$125.00 a share valuation from Morgan, Stanley "in order to lull the minority stockholders into erroneously believing (sic) that defendants were generous." (Complaint, ¶9). It is alleged further that Morgan, Stanley assisted knowingly and facilitated the fraud.

Plaintiffs' allegations have two distinct aspects. First, it is alleged that the means of effectuating this merger operated as a fraud on the minority shareholders in that the

merger was consummated for the benefit of the majority shareholders, without any justifiable business purpose, except to freeze out the minority, and was effected without prior notice to the minority shareholders. Second, plaintiffs allege that the low valuation placed on their shares in the cash exchange offer segment of the merger transaction was in itself a fraud actionable under Rule 10b-5.

Plaintiffs' attack upon the Delaware short-form merger procedure based, as it is, upon Rule 10b-5 is without merit. The General Corporation Law of the State of Delaware permits a parent corporation to merge with another corporation, 90% of whose shares are owned by the parent, by executing and filing a certificate of ownership and merger together with a copy of the resolution of the board of directors of the parent. Del. Gen. Corp. Law, §253(a). See generally, N.Y.B.C.L., §905 (McKinney's Supp. 1974); Stauffer v. American Brands Incorporated, 187 A.2d 78 (Del. Sup. Ct. 1962). The resolution of the board of directors may provide that minority shareholders are to receive cash in payment for their shares in the subsidiary although this has the effect of causing these shareholders to make a forced sale. See Vine v. Beneficial Finance Company, 374 F.2d 627 (2d

Cir. 1967). Plaintiffs did not have a vested right to remain shareholders of Kirby. Coyne v. Park & Tilford Distillers Corporation, 146 A.2d 785 (Del. Ch. 1958), aff'd, 154 A.2d 893 (Del. Sup. Ct. 1959); Matter of Wilcox v. Stern, 18 N.Y.2d 195, 273 N.Y.S.2d 38 (1966). The corporation law of a state may permit minority shareholders to be "frozen out" or to be "frozen in." Garzo v. Maid of the Mist Steamboat Co., 303 N.Y. 514 (1952). The Delaware corporation law does not require that the merger be effected for a business purpose. The statute reflects the public policy of Delaware with respect to rights of splinter interests in corporations. The Court does not view Rule 10b-5 as requiring a federal district court to analyze the motives of corporate directors, at least not in the absence of actual fraud and deceit. See Grimes v. Donaldson, Lufkin & Jenrette, Inc., Fed. Sec. L. Rep., ¶94,722 (N.D. Fla. 1974); cf. Bryan v. Brock & Blevins Co., Inc., 490 F.2d 563 (5th Cir. 1974). "[T]he very purpose of the [Delaware short-form merger] statute is to provide the parent corporation with a means of eliminating the minority shareholder's interest in the enterprise." Stauffer v. American Brands Incorporated, supra, 80. See generally Borden, "Going Private - Old Tort, New Tort or No Tort?", 49 N.Y.U.L.Rev. 987 (1974).

When a merger is effected under this statute and all of the subsidiary's shares are not owned by the parent corporation, the merger statute requires that the surviving corporation "within 10 days after the effective date, notify each shareholder ... that the merger has become effective," Del. Gen. Corp. Law, §253(d) (emphasis added); Carl Marks & Co. v. Universal City Studios, Inc., 233 A.2d 63 (Del. Sup. Ct. 1967). It is not contended that Kirby failed to comply with this notice requirement, rather it is argued that the anti-fraud provisions of the 1934 Act require prior notice and disclosure to the minority shareholders. The primary objective of Rule '0b-5 is to impose a duty of disclosure upon a corporation and its controlling persons. Popkin v. Bishop, 464 F.2d 714 (2d Cir. 1972). That objective is to be achieved in conjunction with the state corporate law. This Court does not regard Rule 10b-5 as an omnibus federal corporation law having such broad reach as to modify the notice requirements of the Delaware merger statute, or prevent Delaware, in its legislative wisdom from providing a means by which a majority can exclude a minority from the corporation's future affairs, so long as due process is satisfied, as it is here, by the appraisal procedures.

Plaintiffs contend further that the corporate defendants knowingly obtained an appraisal from defendant Morgan, Stanley which undervalued the worth of their Kirby stock so drastically as to be a fraud within the purview of Rule 10b-5. Plaintiffs value their shares at a minimum of \$772.00 each, basing this figure on the pro rata value of Kirby's physical assets. For purposes of this motion the Court accepts plaintiffs claimed valuation, although the propriety of using the liquidation value of Kirby's physical assets as the sole basis for determining the true worth of the shares owned by the minority shareholders is at least questionable. See In Re Olivetti Underwood Corporation, 246 A.2d 800, 803 (Del. Ch. 1968); Application of Delaware Racing Association, 213 A.2d 203 (Del. Sup. Ct. 1965).

Accepting plaintiffs' valuation, the amended complaint, upon its face, fails to allege a course of fraudulent conduct.^{1/} In paragraph seven of their complaint, plaintiffs acknowledge that their valuation is based upon information provided by the corporate defendants in the merger information statement. The appraisal made by defendant Morgan, Stanley

details the information upon which it relied in computing the value of the minority's shares in Kirby. Among the considerations relied upon by Morgan, Stanley were the values of Kirby's physical assets provided by Appraisal Associates and Riggs and Associates. The opinions of the latter two firms were appended to the merger information statement as Exhibits D and E, and the entire report of Appraisal Associates was available for inspection at the offices of Santa Fe Resources. The appraisal opinions, and detailed financial information, were provided for the minority shareholders' use in evaluating the merits of the cash exchange offer and in determining whether to seek their appraisal rights as dissenting shareholders.

Without passing upon the proper valuation of the Kirby shares, it is noteworthy that the information statement divulged the history of purchases of Kirby stock by the Santa Fe affiliates. Following the paradigm of "going private" transactions, an affiliate of Santa Fe made a tender offer for the shares of Kirby in 1967 and acquired 27,979 1/2 shares at \$65.00 per share. In the period from 1968 through 1973, Santa Fe affiliates purchased shares at prices ranging from \$65.00 to \$92.50 per share. None of the Santa Fe affiliates had acquired

any Kirby stock since October 1973. The history of Santa Fe's affiliates' prior purchases provided plaintiffs with another basis of comparison for evaluating the merits of the exchange offer.

The complaint demonstrates merely that the parties to this action differ in their computation of the fair value of plaintiffs' shares. Whatever the information statement indicates about the fair value of plaintiffs' shares, the value of the physical assets "was discernible, as plaintiff[s] discerned it." Tanzer Economic Associates, Inc. v. Haynie, 74 Civ. 4857 (S.D.N.Y. November 20, 1974). See also, Spiegler v. Wills, 60 F.R.D. 681 (S.D.N.Y. 1973). The inadequacy of the offering price, standing alone, does not demonstrate bad faith or overreaching on the part of the controlling interests. See Muschel v. Western Union Corporation, 310 A.2d 904 (Del. Ch. 1973).

In Dreier v. The Music Makers Group, Inc., (1973-74) CCH Fed. Sec. L. Rep. ¶94,406 (S.D.N.Y. February 20, 1974), a suit alleging a violation of Rule 10b-5 in connection with the merger of a publicly held corporation, The Music Makers Group, Inc., into a privately owned company, Leigh Group, Inc.,

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effectuated by the voting power of Leigh Group, Inc., the majority shareholders of Music Makers Group, Inc., the Court dismissed the amended complaint holding that

"non-disclosure remains an essential element in any section 10(b)-Rule 10b-5 action. Popkin v. Bishop, 464 F.2d 714 (2d Cir. 1972). The instant complaint does not allege any non-disclosure in connection with the merger; the treatment of the minority shareholders may well have been grossly unfair but it was completely open. Under these circumstances plaintiff's remedy is a state court action for appraisal pursuant to the Delaware Corporation Law." Id., at 95,410. Accord, Popkin v. Bishop, supra; Kaufman v. Lawrence, [Current] CCH Fed. Sec. L. Rep. ¶94,908 (S.D.N.Y. December 5, 1974).

If adequate disclosure is made, "[u]nderlying questions of the wisdom of [merger freeze-out] transactions or even their fairness become tangential at best to federal regulation." Popkin v. Bishop, supra, 720. See also, Armour and Company v. General Host Corporation, 296 F.Supp. 470 (S.D.N.Y. 1969).

It was for each shareholder to determine, on the basis of the information provided, whether the price offered was adequate or whether he should seek a judicial appraisal. The instant complaint fails to allege an omission, misstatement or

fraudulent course of conduct that would have impeded a shareholder's judgment of the value of the offer. Cf. Levine v. Biddle Sawyer Corp., [Current] CCH Fed. Sec. L. Rep. ¶94,816 (S.D.N.Y. October 7, 1974).

At least, if full and fair disclosure is made, transactions eliminating minority interests are beyond the purview of Rule 10b-5. Support for this proposition is found in the Securities and Exchange Commission's ("SEC") own estimate of the reach and the limitations of existing regulations in dealing with "going private" transactions. The interpretation propounded "by an agency charged with the administration of a statute, while not conclusive, is entitled to substantial weight." Zeller v. Boque Electric Manufacturing Corporation, 476 F.2d 795 (2d Cir.), cert. denied, 414 U.S. 908 (1973). The SEC has promulgated proposed rules which would subject such transactions to comprehensive regulation. See Proposed Rules 13e-3A and 13e-3B, 2 Fed.Sec.L.Rep. ¶¶23,704-05; Securities Act Release No. 5567 (1975), [Current] CCH Fed.Sec.L.Rep. ¶80,104. Notably, Proposed Rule 13e-3B(a) would make unlawful a shareholder freeze-out transaction unless the transaction has "a valid business purpose" other than getting rid of a minority which might or does

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impede the will of the majority; and "the terms of [the] transaction, including any consideration to be paid to any security holder, are fair."

Another proposed SEC regulation would require, notwithstanding the provisions of a state's corporate law, that notice of the terms of any freeze-out transaction be sent to shareholders no later than 20 days prior to "authorization" of the transaction. Proposed Rule 13e-3A(c)(1). In addition to other disclosure requirements, both of the proposed rules would require that, for the consideration paid to be deemed fair, it must exceed the value placed on the securities by "two qualified independent persons." Proposed Rule 13e-3A(c)(2).

Implicit in the Commission's expressed intent to enact these or similar rules is the conclusion, which this Court shares, that existing rules, including Rule 10b-5, do not reach the sort of acts here complained of.

Assuming arguendo that the merger information statement did not constitute adequate disclosure, the amended complaint does not demonstrate a causal connection between the alleged

deception and plaintiffs' damages. Plaintiffs did not tender their shares for cancellation and payment pursuant to this merger plan. On August 1, 1974, the information statement was mailed to the minority shareholders. On August 21, 1974, the plaintiffs made a demand for an appraisal of their shares pursuant to Delaware statute, but, by letter dated September 9, 1974, they purported to withdraw this demand. On September 10, 1974, plaintiffs commenced this action. From the outset, plaintiffs recognized the alleged deception and did not rely upon it.

In a freeze-out merger, reliance need not be shown, Vine v. Beneficial Finance Company, supra, 335; however, there must be some causal connection between the wrong done and the harm suffered. See Schlick v. Penn-Dixie Cement Corporation, 507 F.2d 374 (2d Cir. 1974); Shapiro v. Merrill, Lynch, Pierce Fennner & Smith, Inc., 495 F.2d 228 (2d Cir. 1974). In Vine, supra, although finding that no misrepresentation was made to the minority shareholders in a short-form merger, and that, therefore, there could be no reliance in the traditional sense, the Court found an actionable 10b-5 claim on the basis of misrepresentations made in the course of the parent company's acquisition of the

shares needed to effect the short-form merger. See also, Voege v. American Sumatra Tobacco Corporation, 241 F.Supp. 369 (D. Del. 1965). No allegation is made here that the Santa Fe affiliates acquired their dominant interest by means of a fraud. In sum, the instant complaint fails to satisfy even the relaxed standard of causation which must be shown to sustain an action as a "forced seller" under Rule 10b-5.

In finding that there is no causal connection, it may be added that the Court is not applying a standard of "but for" causation and does not view the Santa Fe affiliates as being immune from suit merely because the resulting merger could be effectuated without any action by the minority. See Swanson v. American Consumer Industries, Inc., 415 F.2d 1326 (7th Cir. 1969); Mills v. Electric Auto-Lite Co., 396 U.S. 375, 385, n.7 (1970); cf. Kraficsin v. LaSalle Madison Hotel Co., (1972-73) CCH Fed.Sec.L.Rep. ¶93,586 (N.D. Ill. 1972). Rather, the Court finds that these plaintiffs in their complaint fail to allege that they relied to their detriment on the alleged misrepresentation and were injured thereby.

For the foregoing reasons, it appears that the amended complaint fails to state a claim under the federal securities

laws. Since the complaint fails to state a federal claim, exercise of pendent jurisdiction to adjudicate common law claims of breach of fiduciary duty is inappropriate. Kavit v. A. L. Stamm & Co., 491 F.2d 1176 (2d Cir. 1974).

Diversity jurisdiction will not lie in the absence of complete diversity of citizenship between all parties plaintiff and all parties defendant. Strawbridge v. Curtiss, 3 Cranch 267 (U.S. 1806). The amended complaint states (¶1) that there is no diversity of citizenship between the plaintiffs and defendant Morgan, Stanley.

Plaintiffs lack standing to maintain this action derivatively in the right of Old Kirby. Under Delaware law, as a result of a merger, the derivative rights of the merged subsidiary pass to the surviving corporation. Bokat v. Getty Oil Co., 262 A.2d 245 (Del. Sup. Ct. 1970); Praasch v. Goldschmidt, 199 A.2d 750 (Del. Ch. 1964); Heit v. Tenneco, Inc., 319 F.Supp. 884 (D. Del. 1970). See also, Voege v. Ackerman, 364 F.Supp. 72 (S.D.N.Y. 1973). Assuming however that the plaintiffs retain their rights as shareholders of Old Kirby after the merger, a derivative recovery would be an inappropriate remedy. If plaintiffs

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were to be successful on their derivative claim, the benefits would enure either to a corporation that is no longer functioning or to the entire class of Kirby shareholders, including the Santa Fe affiliates who are the purported malefactors.

Vine v. Beneficial Finance Company, supra, 637; de Haas v. Empire Petroleum Company, 300 F.Supp. 834 (D.Colo. 1969). See also, Johnson v. American General Insurance Company, 296 F.Supp. 802 (D.D.C. 1969).

This complaint has been amended once. Plaintiffs on the oral argument of this motion show no facts or contentions which they could assert if given further leave to serve a second amended complaint. In the absence of any such showing, this motion is granted, and the amended complaint is dismissed.

So Ordered.

Dated: New York, New York
March 27, 1975

Charles L. Breant, Jr.

CHARLES L. BREANT, JR.
U. S. D. J.

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F O O T N O T E

1. On oral argument, plaintiffs conceded that if the differential between price and true value was so slight that reasonable minds could differ, no action would lie under Rule 10b-5.

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UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

----- x

S. WILLIAM GREEN, EVELYN GREEN and : 74 Civ. 3915 (CLB)
CYNTHIA COLIN, as Executors of the :
Estate of LOUIS A. GREEN, deceased, :
and EVELYN GREEN, individually, and :
as stockholders of KIRBY LUMBER :
CORPORATION, suing on behalf of :
themselves and for the benefit of :
said corporation and for the class :
of all other stockholders of said :
corporation similarly situated, :
Plaintiffs, :
-against- : JUDGMENT
SANTA FE INDUSTRIES, INC., SANTA :
FE NATURAL RESOURCES, INC., KIRBY :
LUMBER CORPORATION and MORGAN, :
STANLEY & CO., :
Defendants. :
----- x

An Order of the Honorable Charles L. Brieant,
United States District Judge, having been filed March 27,
1975, in favor of the defendants and against the plaintiffs,
granting the defendants' motion to dismiss the amended com-
plaint for failure to state a claim upon which relief can
be granted and for lack of subject matter jurisdiction,
it is

ORDERED AND ADJUDGED that defendants' said motion
is granted, that the amended complaint is dismissed, and
that the plaintiffs recover nothing.

Dated: New York, New York

April 23, 1975.

fs/ CHARLES L. BRIEANT, JR.
Clerk
U.S. D.J.

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S. WILLIAM GREEN, EVELYN GREEN and
CYNTHIA COLIN, as Executors of the
Estate of LOUIS A. GREEN, deceased,
and EVELYN GREEN, individually, and
as stockholders of KIRBY LUMBER
CORPORATION, suing on behalf of
themselves and for the benefit of
said corporation and for the class
of all other stockholders of said
corporation similarly situated,

74 Civil Action
No. 3915 (C.S.)

NOTICE OF APPEAL

Plaintiffs,

-against-

SANTA FE INDUSTRIES, INC., SANTA
FE NATURAL RESOURCES, INC., KIRBY
LUMBER CORPORATION, and MORGAN,
STANLEY & CO.,

Defendants.

Notice is hereby given that plaintiffs S. William Green, Evelyn Green and Cynthia Colin, as Executors of the Estate of Louis A. Green, deceased, and Evelyn Green, individually and as stockholders of Kirby Lumber Corporation suing on behalf of themselves and for the benefit of said corporation and for the class of all other stockholders of said corporation similarly situated, hereby appeal to the United States Court of Appeals for the Second Circuit from each and every part of the final judgment and final order entered in this action on the 23rd day of April, 1975 and on the 27th day of March, 1975, respectively.

Dated: April 24, 1975

LEVENTRITT LEWITTES & BENDER, Esqs.

BY

a Member of the Firm

Attorneys for the Plaintiffs
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Tel. 986-4060



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ROGERS & WELLS
ATTORNEYS FOR

